



**KP TISSUE INC.**

ANNUAL INFORMATION FORM  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

MARCH 7, 2024

## TABLE OF CONTENTS

	<b>Page</b>
<b>EXPLANATORY NOTES</b>	<b>1</b>
<b>Forward-Looking Statements</b> .....	1
<b>Market and Industry Data</b> .....	2
<b>Trademarks, Tradenames and Service Marks</b> .....	3
<b>CORPORATE STRUCTURE</b>	<b>3</b>
<b>KP Tissue Inc.</b> .....	3
<b>Kruger Products Inc.</b> .....	4
<b>Shareholders of Kruger Products</b> .....	4
<b>Intercorporate Relationships</b> .....	5
<b>GENERAL DEVELOPMENT OF THE BUSINESS</b>	<b>6</b>
<b>Three-Year History of Kruger Products</b> .....	6
<b>THE BUSINESS OF THE CORPORATION</b>	<b>9</b>
<b>THE BUSINESS OF KRUGER PRODUCTS</b>	<b>9</b>
<b>Overview</b> .....	9
<b>Markets and Competitive Conditions</b> .....	10
<b>Competitive Position</b> .....	10
<b>Kruger Products Brands &amp; Products</b> .....	11
<b>Sales and Marketing</b> .....	12
<b>Customers</b> .....	12
<b>Product Development</b> .....	12
<b>Environment, Social &amp; Governance (ESG)</b> .....	13
<b>Large, Geographically Diverse and Efficient Manufacturing Infrastructure</b> .....	15
<b>Manufacturing Process and Technologies</b> .....	16
<b>Suppliers</b> .....	17
<b>Properties</b> .....	17

<b>Intellectual Property</b> .....	19
<b>Employees</b> .....	20
<b>Government Regulation</b> .....	20
<b>Commercial Relationship between Kruger and Kruger Products</b> .....	20
<b>MATERIAL CONTRACTS</b>	<b>22</b>
<b>Material Contracts of the Corporation</b> .....	22
<b>Material Contracts of Kruger Products</b> .....	27
<b>DIVIDEND POLICY</b>	<b>34</b>
<b>Kruger Products Dividend Policy</b> .....	34
<b>Corporation Dividend Policy</b> .....	35
<b>Dividend Reinvestment Plan of Kruger Products</b> .....	36
<b>Dividend Reinvestment Plan of the Corporation</b> .....	37
<b>DESCRIPTION OF CAPITAL STRUCTURE</b>	<b>37</b>
<b>Description of the Common Shares</b> .....	37
<b>MARKET FOR SECURITIES</b>	<b>38</b>
<b>DIRECTORS AND OFFICERS</b> .....	39
<b>Directors and Executive Officers of Kruger Products</b> .....	40
<b>Cease Trade Orders or Bankruptcies</b> .....	49
<b>Penalties or Sanctions</b> .....	49
<b>Conflicts of Interest</b> .....	49
<b>Indemnification and Insurance</b> .....	50
<b>AUDIT COMMITTEE INFORMATION REGARDING THE CORPORATION</b>	<b>50</b>
<b>Charter of the Audit Committee</b> .....	50
<b>Composition of the Audit Committee</b> .....	50
<b>Relevant Education and Experience of the Audit Committee Members</b> .....	50
<b>AUDIT COMMITTEE INFORMATION REGARDING KRUGER PRODUCTS</b>	<b>51</b>
<b>Charter of the Audit Committee</b> .....	51
<b>Composition of the Audit Committee</b> .....	51

<b>Relevant Education and Experience of the Audit Committee Members</b> .....	51
<b>External Auditor Service Fee</b> .....	52
<b>RISK FACTORS</b>	<b>52</b>
<b>Risks Related to the Corporation</b> .....	52
<b>Risks Related to Kruger Products' Business</b> .....	56
<b>INTERESTS OF EXPERTS</b>	<b>66</b>
<b>PROMOTERS</b>	<b>66</b>
<b>LEGAL PROCEEDINGS AND REGULATORY ACTIONS</b>	<b>66</b>
<b>INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS</b>	<b>67</b>
<b>AUDITORS, TRANSFER AGENT AND REGISTRAR</b>	<b>67</b>
<b>ADDITIONAL INFORMATION</b>	<b>67</b>
<b>GLOSSARY OF TERMS</b>	<b>68</b>
<b>APPENDIX A – CHARTER OF THE CORPORATION AUDIT COMMITTEE</b>	<b>73</b>

## EXPLANATORY NOTES

Unless otherwise noted or the context otherwise indicates, the “Corporation”, “we”, “us” and “our” refer to KP Tissue Inc.

Unless otherwise indicated or the context otherwise requires, “Kruger Products” refers to Kruger Products Inc. and its subsidiaries and their respective predecessors, including Kruger Products L.P. (“KPLP”), the Québec limited partnership which sold and assigned all of its properties, operations, assets and liabilities to Kruger Products on January 1, 2023 pursuant to the Reorganization (see “Three-Year History of Kruger Products - Corporate Reorganization”).

Unless otherwise indicated or the context otherwise requires, “Kruger” refers to Kruger Inc., or, where applicable, to 13582141 Canada Inc. or KPGP Inc., Kruger Inc.’s wholly-owned subsidiaries through which it holds Kruger Products Shares, each of which is a party to certain material agreements of the Corporation (see “Material Contracts — Material Contracts of the Corporation”).

Certain capitalized terms and phrases used in this Annual Information Form are defined in the “Glossary of Terms” beginning on page 68.

### Forward-Looking Statements

Certain statements in this Annual Information Form about the Corporation’s and Kruger Products’ current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. Forward-looking statements in this Annual Information Form include, but are not limited to, statements regarding our 10-year sustainable development plan and related targets to be achieved by 2030, the projected capacity of the Sherbrooke Expansion Project (as defined below), the anticipated benefits of the TAD Sherbrooke Project and the Sherbrooke Expansion Project and the expected dates for commencement of commissioning and start-up of the Sherbrooke Expansion Project; Kruger Products’ expansion efforts in U.S. premium private label; and Kruger Products’ future business strategy. The words “may”, “will”, “would”, “should”, “could”, “expects”, “plans”, “intends”, “trends”, “indications”, “anticipates”, “believes”, “estimates”, “predicts”, “likely” or “potential” or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements. The forward-looking statements are based on certain key expectations and assumptions made by the Corporation or Kruger Products. Although the Corporation and Kruger Products believe that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking statements since no assurance can be given that such expectations and assumptions will prove to be correct.

Many factors could cause the Corporation’s actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, which are discussed in greater detail in the “Risk Factors — Risks Related to the Corporation” section of this Annual Information Form: dependence on underlying performance of Kruger Products; volatile market price for Common Shares; dependence on dividend declarations by Kruger Products; Kruger’s exchange of Kruger Products Shares for Common Shares and future sales of Common Shares by Kruger; illiquid market for Kruger Products Shares; limited rights of the Corporation with respect to the management of Kruger Products; Kruger’s rights relating to certain actions of the Corporation and Director Nomination Right; Kruger Products can require the Corporation to undertake certain corporate actions; Kruger’s Drag-Along Right; loss of rights under the Shareholders’ Agreement; reliance on administrative services provided by Kruger Products; risk of dilution in Kruger Products; dilution due to Corporation DRIP; inability to comply with continuous disclosure requirements; realization of larger capital gain (or smaller capital loss) upon disposition of Kruger Products Shares acquired pursuant to Exchange Agreement; and business conflicts of interest. Many factors could cause Kruger Products’ actual results, level of activity, performance or achievements or future events or developments (which could in turn affect the economic benefits derived from the Corporation’s economic interest in Kruger Products) to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, which are discussed in greater detail in the “Risk Factors — Risks Related to Kruger Products’ Business” section of this Annual Information Form: Kruger’s influence over Kruger Products; Kruger Products’ reliance on Kruger; consequences of an event of insolvency relating to Kruger; risks associated with the ownership of the TAD Sherbrooke

Project; risks associated with the operation of the TAD Sherbrooke Project; risks associated with the Sherbrooke Expansion Project; operational risks; significant increases in input costs; reduction in supply of fibre; increased pricing pressure and intense competition; Kruger Products' inability to innovate effectively; adverse economic conditions; dependence on key retail trade customers; damage to the reputation of Kruger Products or Kruger Products' brands; Kruger Products' sales being less than anticipated; Kruger Products' failure to implement its business and operating strategies; Kruger Products' obligation to make regular capital expenditures; Kruger Products entering into unsuccessful acquisitions; Kruger Products' dependence on key personnel; Kruger Products' inability to retain its existing customers or obtain new customers; Kruger Products' loss of key suppliers; Kruger Products' failure to adequately protect its intellectual property rights; Kruger Products' reliance on third party intellectual property licenses; adverse litigation and other claims affecting Kruger Products; material expenditures due to comprehensive environmental regulation affecting Kruger Products' cash flow; Kruger Products' pension obligations are significant and can be materially higher than predicted if Kruger Products Management's underlying assumptions are incorrect; labour disputes adversely affecting Kruger Products' cost structure and Kruger Products' ability to run its plants; exchange rate and U.S. competitors; Kruger Products' inability to service all of its indebtedness; exposure to potential consumer product liability; covenant compliance; interest rate and refinancing risk; information technology; cyber-security; insurance; internal controls; trade related.

These factors are not intended to represent a complete list of the factors that could affect the Corporation and/or Kruger Products; however, these factors should be considered carefully, and readers should not place undue reliance on forward-looking statements made herein or in the documents reproduced herein. The Corporation and Kruger Products cannot guarantee future results, levels of activity, performance, or achievements. Moreover, the Corporation and Kruger Products do not assume responsibility for the accuracy and completeness of the forward-looking information. The Corporation's and/or Kruger Products' actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that Corporation and/or Kruger Products will derive therefrom.

The forward-looking information contained herein is made as of the date of this Annual Information Form and the Corporation and Kruger Products disclaim any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable law.

## **Market and Industry Data**

The data included in this Annual Information Form regarding markets and rankings, including the size of product markets and Kruger Products' relative position and the position of its competitors within these markets, are based on independent industry publications, including ACNielsen and Resource Information Systems Inc. ("RISI") or other published industry sources. In Canada, ACNielsen market share and market size data represents all traditional retail channels and is based on an extrapolation from a sample of retail scan and household panel data. In the United States, both ACNielsen market share and market size estimates are also based on an extrapolation from a sample of retail scan and household panel data, however, in contrast to Canadian ACNielsen market share data, United States ACNielsen market share data excludes Costco, which represents a significant portion of the United States tissue market. In order to present United States market size data on an all retail channel basis inclusive of Costco, Kruger Products Management obtained and independently aggregated ACNielsen channel data (excluding Costco) and used Kruger Products Management's estimate for Costco data 2023 (due to the lack of availability of ACNielsen Costco data prior to publishing). As a result of the various methodologies applied in extrapolating market share and market size data, estimates based on this data may not be precise. The accuracy and completeness of information in the independent industry publications cited in this Annual Information Form is not guaranteed, has not been independently verified by the Corporation, Kruger Products, or Kruger and none of the Corporation, Kruger Products, or Kruger make any representation as to the accuracy of such information.

Certain data is also based on Kruger Products Management's good faith estimates that are derived from Kruger Products Management's review of internal data, as well as information obtained from customers, trade and business organizations and other contacts in the market in which it operates, as well as Kruger Products Management's overall knowledge and experience. Kruger Products believes this data to be reasonable estimates as of the date of this Annual Information Form, unless a prior date is indicated or if there is a reference to historical data. However, this information may prove to be inaccurate because of the method by which Kruger Products obtained some of the data

for its estimates or because this information cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in a survey of market size.

### **Trademarks, Tradenames and Service Marks**

This Annual Information Form includes trademarks, such as Bonterra™, Cashmere®, Embassy®, Esteem®, Metro®, Purex®, Scotties®, SpongeTowels®, White Cloud®, White Swan®, Satinelle®, and Chalet®, which are protected under applicable intellectual property laws and are the property of Kruger Products or its licensors. Solely for convenience, our trademarks and tradenames referred to in this Annual Information Form may appear without the ® symbol, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks and tradenames. See “The Business of Kruger Products — Intellectual Property”. All other trademarks used in this Annual Information Form are the property of their respective owners.

## **CORPORATE STRUCTURE**

### **KP Tissue Inc.**

#### *Incorporation, Articles and Address*

KP Tissue Inc. was incorporated under the *Canada Business Corporations Act* on October 1, 2012. The articles of the Corporation have been amended as follows: (i) on October 23, 2012, to adopt “Papiers Tissu KP Inc.” as the French version of its name and (ii) on December 11, 2012, (A) to fix the number of directors of the Corporation at a minimum of four and a maximum of nine, (B) to restrict the business of the Corporation to the investment in, holding of and disposition of limited partnership interests, shares or other securities of Kruger Products (or successors thereof), or assets, liabilities and operations of such entities, and all activities reasonably related, incidental or ancillary to any of the foregoing, and (C) to provide for certain redemption rights relating to compliance with the United States Investment Company Act of 1940, as amended (specifically, to allow the Corporation to redeem the Common Shares of any shareholder that does not, upon request, certify that it is not a U.S. Person (as such term is defined in Rule 902 under the United States Common Shares Act of 1933, as amended) or, if it is a U.S. Person, that is a “qualified purchaser” (as such term is defined in Section 2(a)(51) of the United States Investment Company Act of 1940, as amended).

The Corporation’s registered and head office is located at Suite 500, 2 Prologis Blvd., Mississauga, Ontario, L5W 0G8.

#### *Interest in Kruger Products, Continuous Disclosure and Insider Reporting Obligations*

Since the Reorganization which occurred on January 1, 2023, the Corporation has held an equity interest in Kruger Products. The Corporation, a reporting issuer in all provinces and territories of Canada, has provided the securities regulatory authorities in Canada an undertaking to the effect that, as long as its interest in Kruger Products (including any of its significant business interests) represents a significant asset of the Corporation:

- (a) in complying with its continuous disclosure obligations as a reporting issuer, the Corporation will treat Kruger Products as a subsidiary, except that Kruger Products’ financial information will not be consolidated with that of the Corporation but rather the Corporation will provide to its shareholders, along with its own audited annual financial statements and quarterly financial statements, the separate audited annual financial statements and quarterly financial statements of Kruger Products prepared in accordance with IFRS and certified in accordance with National Instrument 52-109 – *Certification of Disclosure in Issuer’s Annual and Interim Filings* as if Kruger Products was a non-venture issuer, as well as Kruger Products’ related management’s discussion and analysis, prepared in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations* or its successor (including information about any of Kruger Products’ significant business interests);

(b) the Corporation will take appropriate measures to require each person who would be a reporting insider of Kruger Products or a person or company in a special relationship with Kruger Products if Kruger Products were a reporting issuer to (i) file insider reports about trades in Common Shares (including securities which are exchangeable into Common Shares), and (ii) comply with statutory prohibitions against insider trading; and

(c) the Corporation will annually certify that it has complied with this undertaking and file a certificate on SEDAR+ concurrently with the filing of its annual financial statements.

### **Kruger Products Inc.**

#### *Name, Registration and Address*

Kruger Products is a corporation incorporated under the *Canada Business Corporations Act* by way of a certificate of amalgamation dated January 1, 2022, amalgamating TAD Canco Inc., KP TAD Holdco Inc. and 13571998 Canada Inc. under the name “13571998 Canada Inc.”. The articles of Kruger Products have been amended as follows: (i) on October 21, 2022 to adopt the name “Kruger Products Inc.” and (ii) on December 2, 2022 to create a new class of class B common shares.

Kruger Products’ principal place of business is located at Suite 500, 2 Prologis Blvd., Mississauga, Ontario, L5W 0G8.

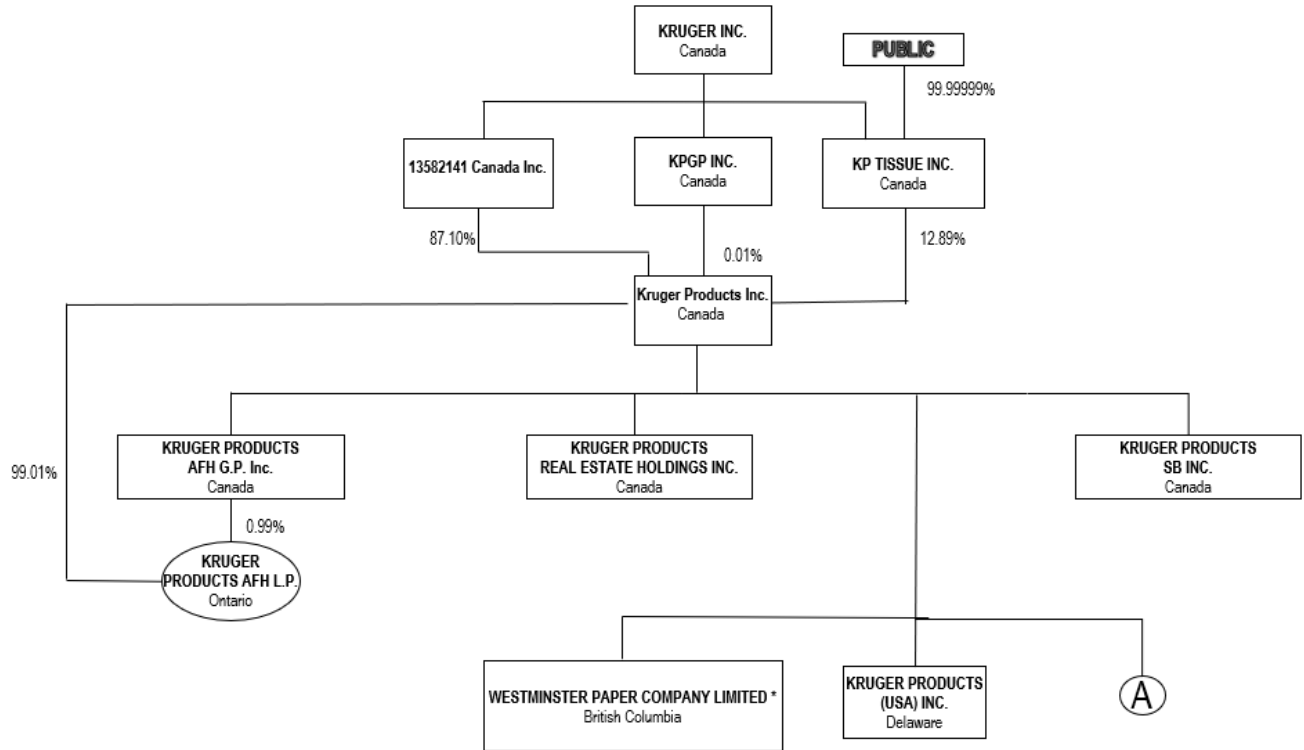
### **Shareholders of Kruger Products**

Since the Reorganization which occurred on January 1, 2023, the Corporation and Kruger have been shareholders of Kruger Products. Kruger is a private company founded in 1904 and controlled by Joseph Kruger II. Kruger is a diversified industrial holding company which directly and through various subsidiaries has operating facilities in Canada (Québec, Ontario, British Columbia and Newfoundland and Labrador) and the United States.



## Intercorporate Relationships

The following organizational chart illustrates the intercorporate relationships of the Corporation, Kruger, and Kruger Products and its subsidiaries, together with the jurisdiction of incorporation or formation of each such entity.

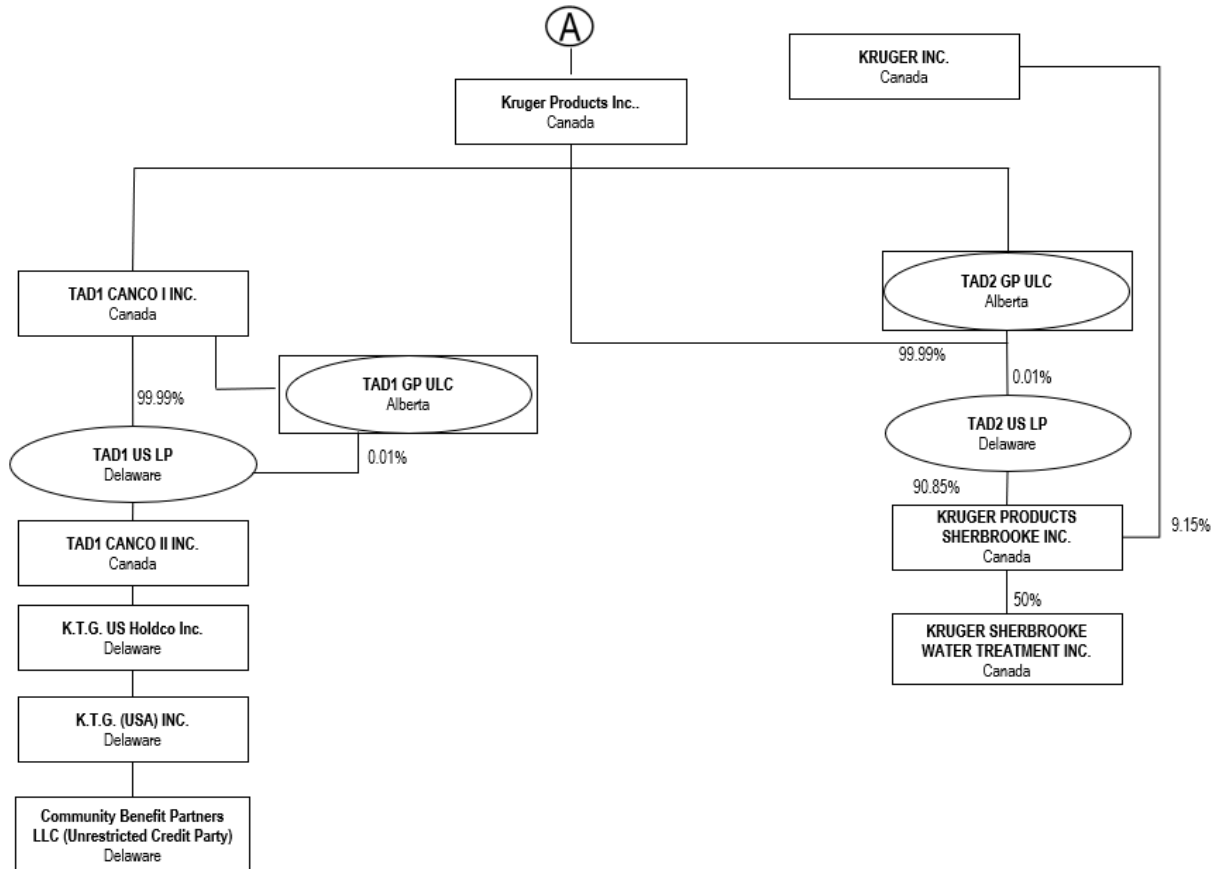


All entities are 100%-owned except where indicated.

December 15, 2023: (i) Canadian Tissue Limited upon continuance to BC became Kruger CTL Holdings 2023 Corp. (ii) 8528365 Canada Inc. upon continuance to BC became Kruger CI Holdings 2023 Corp.

\*On January 1, 2024, West Tree Farms Limited (BC0036159), Westminster Paper Company Limited (BC0193465), Kruger CTL Holdings 2023 Corp. (C1455402) and Kruger CI Holdings 2023 Corp. (C1455411) amalgamated to form West Tree Farms Limited (BC1456850) (the 'Amalco'). Amalco changed its name to Westminster Paper Company Limited.

## KRUGER – TISSUE OPERATIONS (CONTINUED)



All entities are 100%-owned except where indicated.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three-Year History of Kruger Products

#### 2021

##### *TAD Sherbrooke Project*

The new TAD paper machine was successfully started up at the end of January 2021. The project was completed on time and on budget.

On November 1, 2021, Kruger Products executed the final draws on the TAD Sherbrooke Project Facility.

##### *Sherbrooke Expansion Project*

In 2021, Kruger Products announced an investment totaling \$351.5 million to expand the Sherbrooke operations with a Light Dry Crepe (“LDC”) tissue machine (the “LDC Machine”) and two new production lines as well as the construction of a new tissue manufacturing facility (the “Sherbrooke Expansion Project”) over the

following three years. The first stage of this project, a new bathroom tissue converting line, successfully started-up in February 2023. The second stage, the construction of a new tissue manufacturing facility, is well underway and includes a new facial tissue converting line, successfully started-up in February 2024. The final stage of the project is the LDC Machine, expected to start-up in Q4 2024 and at maturity increase Kruger Products' annual output by at least 60,000 metric tonnes. As a result of significant inflation across the supply chain and also interest rate increases during construction, the cost of the Sherbrooke Expansion Project is now forecast to increase to \$377.5 million, excluding start-up expenses and working capital.

The additional capacity will allow Kruger Products to expand its product offering and is expected to enable it to grow its market share across its different categories, including bathroom tissue, paper towels and facial tissue for household and away-from-home use under such brands as Cashmere®, SpongeTowels®, Scotties®, Purex® and Bonterra™ in Canada, and White Cloud® in the U.S.

See “Material Contracts – Material Contracts of Kruger Products - KPSB IQ Debenture” - IQ Facial Tissue Credit Agreement” – IQ Bathroom Credit Agreement” and – KPSB Senior Credit Agreement” for details regarding the financing of the Sherbrooke Expansion Project. See “Material Contracts – Material Contracts of Kruger Products – Contribution Undertaking Agreement” for details regarding the Kruger Products Contribution Undertaking Agreement entered into by Kruger Products in connection with the Sherbrooke Expansion Project.

#### *Financing Activity*

On April 8, 2021, Kruger Products announced that it had closed an issuance of \$135 million principal amount of 5.375% senior unsecured notes due April 9, 2029 (the “2029 Notes”) by way of private placement. Interest on the notes is payable semi-annually in arrears on April 9th and October 9th of each year. Kruger Products used the net proceeds of the financing to reduce the outstanding balance under the Kruger Products Senior Credit Facility and to pay transaction costs associated with the offering. See “Material Contracts – Material Contracts of Kruger Products – Trust Indenture - Senior Unsecured Notes due April 9, 2029”.

On May 21, 2021, Kruger Products entered into the seventh amended and restated credit agreement to the Kruger Products Senior Credit Facility, to amend negative covenants and other provisions of the Kruger Products Senior Credit Agreement to allow for implementation of the Sherbrooke Expansion Project. In conjunction with the issuance of the 2029 Notes on April 8, 2021, capacity under the Kruger Products Senior Credit Facility was reduced from \$250 million to \$200 million. The Kruger Products Senior Credit Agreement is for a five year period, maturing on May 21, 2026.

On May 21, 2021, Kruger Products SB Inc. entered into the KPSB Senior Credit Agreement, pursuant to which the KPSB Construction Facility and the KPSB Revolving Facility were made available to KPSB to allow for implementation of the Sherbrooke Expansion Project. See “Material Contracts – Material Contracts of Kruger Products – KPSB Senior Credit Agreement”.

On December 17, 2021, KPSB entered into the first supplemental credit agreement to the KPSB Senior Credit Agreement to increase availability under the KPSB Construction Facility from \$70 million to \$150 million to partially finance the increased investment in the Sherbrooke Expansion Project and to reduce availability under the KPSB Revolving Facility from \$10 million to \$5 million. See “Material Contracts – Material Contracts of Kruger Products – KPSB Senior Credit Agreement”.

#### 2022

##### *Shutdown of Certain Memphis Plant Production Assets*

On November 14, 2022, Kruger Products announced that certain older and inefficient production assets would be shut down at its plant in Memphis, Tennessee in January 2023. The plant, operated by Kruger Products' subsidiary KTG, announced the shutdown of production assets including a LDC paper machine and six converting lines. The shutdown of these assets was determined to be in the best interests of operating efficiencies and profitability of the Memphis Plant, and high quality facial tissue and premium TAD products will continue to be produced at the

plant. Following the shutdown, the Memphis manufacturing facility consists of one TAD paper machine with an aggregate annual capacity of 55,000 metric tonnes and one adjacent LDC paper machine with an aggregate annual capacity of 30,000 metric tonnes.

#### *Financing Activity*

On March 30, 2022, KTG and other subsidiaries of Kruger Products entered into the fourth amendment to the AgCredit Agreement to make available a new US\$87 million term loan facility (the “Term D Credit Facility”) for the purpose of refinancing the borrowings outstanding under the Term C Credit Facility (as defined in “Material Contracts – Material Contracts of Kruger Products – AgCredit Agreement”) and to extend the maturity dates of the revolving loans of US\$10 million and \$12.5 million from December 31, 2023 to December 31, 2026. The Term D Credit Facility was drawn in full on March 30, 2022 and was used to repay in full the \$107 million of principal, accrued interest and fees outstanding under the Term C Credit Facility. The Term D Credit Facility is repayable by March 30, 2032. See “Material Contracts – Material Contracts of Kruger Products – AgCredit Agreement”.

On September 15, 2022, KTG and other subsidiaries of Kruger Products entered into the fifth amendment to the AgCredit Agreement to amend the definition of the Combined Fixed Charge Coverage Ratio (as defined in “Material Contracts – Material Contracts of Kruger Products – AgCredit Agreement”) and change the starting date of the Combined Fixed Charge Coverage Ratio from the fiscal quarter ending September 30, 2022 to the fiscal quarter ending December 31, 2022.

### 2023

#### *Corporate Reorganization*

On January 1, 2023, KPLP undertook a corporate reorganization (the “Reorganization”) pursuant to which KPLP, a limited partnership, was essentially replaced by a corporate entity without adversely affecting KP Tissue. More specifically, KPLP sold and assigned to its wholly-owned subsidiary, Kruger Products, and Kruger Products purchased and assumed from KPLP, in exchange for common shares, all of the properties, operations, assets and liabilities of KPLP, and KPLP was subsequently dissolved and wound-up into its partners. As a result of the Reorganization, Kruger Products, as the successor corporate entity to KPLP, now operates the business previously operated by KPLP.

The interest that KP Tissue previously held in KPLP is now held in Kruger Products, and, through a shareholders’ agreement dated January 1, 2023 entered into with Kruger Inc. (the “Shareholders’ Agreement”), KP Tissue has substantially equivalent rights in respect of the operation of, and its investment in, Kruger Products, as it had in respect of KPLP. The Reorganization was undertaken to realize certain tax efficiencies for Kruger Products and to simplify Kruger Products’ corporate structure and financial reporting. The Reorganization was approved by the independent directors of KP Tissue.

The Shareholders’ Agreement, and certain other agreements with Kruger Inc. or Kruger Products that were amended or amended and restated to reflect the Reorganization, are described under “*Material Contracts*”.

#### *Financing Activity*

On June 5, 2023, KPSB entered into the third supplemental credit agreement to the KPSB Senior Credit Agreement to amend certain provisions of the KPSB Senior Credit Agreement for the purpose of making the KPSB Revolving Facility available as of June 5, 2023. The amended provisions also include the implementation of interest rate benchmark transition, including the replacement of Libor loans with SOFR loans.

To partially finance the additional costs of the Sherbrooke Expansion Project, on November 9, 2023, KPSB entered into the fourth supplemental credit agreement to the KPSB Senior Credit Agreement to increase the KPSB Construction Facility to \$158.2 million from \$150 million. The remainder of the additional Sherbrooke Expansion Project costs are being financed by investments from Kruger Products to KPSB (together with the increase of the KPSB Construction Facility, the “Additional Sherbrooke Expansion Project Financing”). The amended provisions

also include the implementation of interest rate benchmark transition, including the replacement of CORRA loans with CDOR loans.

### *Changes in Management*

On December 14, 2023, Kruger Products announced that Mr. Mark Holbrook decided to retire from his position as Chief Financial Officer of the Corporation and Kruger Products and that Mr. Michael Keays would succeed him, effective March 11, 2024.

Louise Wendling resigned as a member of the Board of the Corporation and Kruger end of day March 6, 2024. Sarah Kruger was appointed a Director of the Corporation effective March 7, 2024 and it is intended that Sarah Kruger will be nominated for re-election at this year's annual meeting of shareholders to be held on June 11, 2024.

## **THE BUSINESS OF THE CORPORATION**

Pursuant to the Articles of the Corporation, the Corporation's business is limited to (i) the investment in, holding of and disposition of limited partnership interests, units, shares or other securities of Kruger Products (or any successor entity of Kruger Products), (ii) the acquisition of, holding, operation and disposition of any assets, liabilities, operations or business of such entity, and (iii) all activities related, incidental or ancillary to any of the foregoing. As of March 7, 2024 the Corporation held Kruger Products Shares representing 12.9% of the outstanding Kruger Products Shares.

The Corporation is a party to certain agreements that govern its relationship with Kruger Products and Kruger, namely, (i) a unanimous shareholders' agreement dated January 1, 2023 between Kruger Products, KPGP, Kruger, 13582141 Canada Inc. and the Corporation (the Shareholders' Agreement), (ii) an amended and restated administration agreement dated January 1, 2023 between Kruger Products and the Corporation setting out the services to be provided by Kruger Products to support the business of the Corporation in relation to its investment in Kruger Products and its operation as a public company (the "Administration Agreement"), (iii) an amended and restated exchange agreement dated January 1, 2023 among Kruger, the Corporation and Kruger Products setting out, among other things, the rights of Kruger to exchange, from time to time, its Kruger Products Shares for newly issued Common Shares (the "Exchange Agreement"), (iv) an amended and restated non-competition agreement dated January 1, 2023 among Kruger, Kruger Products, Joseph Kruger II and the Corporation setting out the obligations of Kruger and its affiliates not to carry on or invest in any business that is competitive with the tissue business of Kruger Products anywhere within the restricted territory (the "Non-Competition Agreement"), and (v) an amended and restated registration rights agreement between Kruger and the Corporation (the "Registration Rights Agreement"). The Shareholders' Agreement was entered into to effectively replace the Limited Partnership Agreement of KPLP which was terminated in accordance with the Reorganization, and each of the other agreements described above was amended and restated in order to reflect the Reorganization. Certain key provisions of each of these agreements are summarized under "Material Contracts — Material Contracts of the Corporation".

## **THE BUSINESS OF KRUGER PRODUCTS**

### **Overview**

The Canadian and U.S. tissue industries are comprised of two major markets: (i) the consumer market, which consists of the supply of products such as bathroom tissue, facial tissue, paper towels and napkins to end-consumers through traditional retail channels such as grocery stores, mass merchandisers, club stores, drug stores and convenience stores; and (ii) the away-from-home market ("AFH"), which consists primarily of the supply of bathroom tissue, facial tissue, paper towels and napkins to commercial users in a variety of industries such as food services, property management, healthcare, manufacturing, education and lodging.

Kruger Products is Canada's leading tissue products supplier by overall dollar and volume market share. It produces, distributes, markets and sells a wide range of disposable tissue products, including bathroom tissue, facial tissue, paper towels and napkins, for both the consumer and the AFH markets. While its principal focus is on the

Canadian consumer-branded tissue products market, Kruger Products is also a leader in the Canadian AFH market and has a considerable presence in the U.S. private label tissue market.

Kruger Products is headquartered in Mississauga, Ontario and has approximately 2,800 employees across Canada and the United States. Kruger Products operates a total of nine FSC® COC-certified (FSC®-C104904) production facilities, including six plants, five of which are located in Canada and one in the U.S. Three of the production facilities are converting only. Kruger Products' Canadian paper manufacturing facilities, consisting of four tissue plants in Québec and one plant in British Columbia, have a combined annual tissue production capacity of approximately 350,000 metric tonnes which, according to RISI data, represents approximately 44% of Canada's annual production capacity. The new TAD paper machine was successfully started up at the end of January 2021 with an aggregate annual capacity of 70,000 metric tonnes at maturity. Kruger Products' Memphis Plant, held through KTG, a wholly-owned subsidiary, consists of one conventional light dry crepe paper machine with an aggregate annual capacity of 30,000 metric tonnes, and one adjacent 55,000 metric tonne state-of-the-art TAD paper machine (the "Memphis TAD Machine").

### **Markets and Competitive Conditions**

Kruger Products operates in intensely competitive markets and Kruger Products' products compete against well-known branded and private label products from large multinational manufacturers.

North American consumer tissue is a mature industry that has exhibited stable underlying demand, largely due to the non-discretionary nature of the products sold. Demand tends to be primarily supported by overall population growth and high rates of household penetration. There are high barriers to entry, which reduces the threat of new entrants. Finally, there are limited substitutes for tissue products. Kruger Products management believes that these factors drive the relative stability of sales and profitability in the tissue market.

According to ACNielsen data, total Canadian consumer tissue retail sales, excluding napkins, were approximately \$2.2 billion in 2023. The Canadian consumer tissue market is relatively concentrated and dominated by five suppliers, namely Kruger Products, Irving, Procter & Gamble ("P&G"), Kimberly-Clark and Cascades. Their products are sold either as brands or as retailer private labels.

According to ACNielsen data and Kruger Products estimates, total U.S. consumer tissue retail sales, excluding napkins, were approximately US\$23.3 billion in 2023. The U.S. consumer tissue market is concentrated and dominated by Georgia-Pacific, P&G and Kimberly-Clark.

The private label portion of the U.S. tissue market continues to grow. The main private label product manufacturers in the U.S. include Kruger Products, Clearwater Paper, Cascades, First Quality, Georgia-Pacific and Kimberly-Clark.

The North American AFH tissue market is comprised of all tissue products used outside of the home, including tissue products sold directly to commercial customers, general or specialized distributors and wholesalers and building services contractors. Distributors resell tissue products bundled with other merchandise to end-users, such as commercial office buildings, hotels, restaurants, hospitals, schools and other operators of public facilities. According to RISI and Kruger Products Management estimates, the AFH market business represents approximately 25% of all North American tissue products consumption. In Canada, the AFH business is relatively concentrated amongst four participants: Kruger Products, Kimberly-Clark, Cascades and Essity (formerly SCA).

### **Competitive Position**

Kruger Products is Canada's leading tissue product supplier by dollar market share. Highlights of Kruger Products' market leadership in tissue product supply are as follows:

- Kruger Products has held the number one dollar market share position in the consumer bathroom tissue category since 2000, the number one dollar market share position in the consumer facial tissue

category since 2005 and the number two dollar market share position in the paper towel category since 2004 (ACNielsen data);

- Cashmere is the number one consumer bathroom tissue brand in Canada and Purex is the number one consumer bathroom tissue brand in Western Canada, while Scotties and SpongeTowels are the number one and number two brands in Canada by dollar market share in the facial tissue and paper towel categories, respectively (ACNielsen data);
- Kruger Products Management believes that Kruger Products was one of the leaders in the Canadian AFH business in 2023.

## **Kruger Products Brands & Products**

### ***Canadian Consumer Business***

Kruger Products is the leading tissue manufacturer in Canada with strong market share positions across all major consumer tissue product categories (bathroom tissue, facial tissue, paper towels and napkins).

In the Canadian consumer business, Kruger Products primarily sells branded products. These products are marketed under a number of trademarks, including *Cashmere*, *Purex*, *Scotties*, *SpongeTowels* and *Bonterra*, all of which are owned by Kruger Products except for *Scotties*, which is under long-term license from Kimberly-Clark for use in Canada on a royalty-free basis.

According to ACNielsen data for the 52-week period ended December 30, 2023, Kruger Products is the leader in the consumer bathroom tissue category with a 32.7% dollar market share in Canada (Irving Consumer Products accounts for the second largest share of the market at 14.6%). Kruger Products' brands within this category include *Cashmere* and *Purex*. *Cashmere* is the leading bathroom tissue brand nationally (with its distribution focused on Eastern Canada), while *Purex* is the number one bathroom tissue in Western Canada.

According to ACNielsen data for the 52-week period ended December 30, 2023, Kruger Products is the leader in the consumer facial tissue category with a 38.9% dollar market share in Canada (Irving Consumer Products accounts for the second largest share of the market at 16.7%). Kruger Products' key brand within this category is *Scotties*, which is Canada's number one facial tissue brand.

According to ACNielsen data for the 52-week period ended December 30, 2023, Kruger Products had the second largest dollar market share in the consumer paper towel category with a 24.5% dollar market share in Canada (P&G accounts for the largest share of the market at 33.4%). Kruger Products' key brand within this category is *SpongeTowels*.

### ***U.S. Consumer Business***

Kruger Products sells both branded and private label tissue products to customers in the United States, primarily at the premium quality level. The U.S. private label business continues to grow, and Kruger Products has relationships with key U.S. retailers. In addition, the *White Cloud* brand, acquired by Kruger Products in 2000, is also sold in the U.S. in bathroom tissue, paper towel and facial tissue products. TAD bathroom tissue and paper towel products are a key component of Kruger Products' strategy of growing its sales in the U.S. market, as TAD products are increasing in demand and allow Kruger Products to provide the highest level of quality to major U.S. retailers.

### ***Away-From-Home Business***

AFH brands include *Purex*, *Esteem*, *White Swan*, *Embassy*, and *Chalet*. According to Kruger Products Management estimates, Kruger Products is one of the leaders in AFH in Canada. Kruger Products' AFH business plays an important role in increasing capacity utilization and spreading the impact of fixed costs through its manufacturing facilities. According to Kruger Products Management, the AFH market tends to be more price sensitive

than the consumer market. It covers a large and diverse base of customers. Kruger Products also has presence in the U.S. AFH market, supplied primarily from Canada.

### ***Revenue by Segment and Geography***

Kruger Products operates in two business segments, namely Consumer and AFH. Consumer segment revenue for the year ended December 31, 2023 was \$1,551.2 million, which represented 82.8% of Kruger Products' consolidated revenue (compared to \$1,394.1 million for the year ended December 31, 2022, which represented 82.9% of Kruger Products' consolidated revenue). AFH segment revenue for the year ended December 31, 2023 was \$321.8 million, which represented 17.2% of Kruger Products' consolidated revenue (compared to \$287.3 million for the year ended December 31, 2022, which represented 17.1% of Kruger Products' consolidated revenue).

Kruger Products operates in two geographic regions, namely Canada and the U.S. Revenue in Canada for the year ended December 31, 2023 was \$1,068.4 million, which represented 57.0% of Kruger Products' consolidated revenue (compared to \$994.4 million for the year ended December 31, 2022, which represented 59.1% of Kruger Products' consolidated revenue). Revenue in the U.S. for the year ended December 31, 2023 was \$804.6 million, which represented 43.0% of Kruger Products' consolidated revenue (compared to \$687.0 million for the year ended December 31, 2022, which represented 40.9% of Kruger Products' consolidated revenue).

### **Sales and Marketing**

Kruger Products' sales and marketing team consists of approximately 100 people in Canada and the U.S.

The role of the sales and marketing team is to drive and accelerate the development of strong brands and private label products. The marketing team is tasked with optimizing Kruger Products' brand portfolio and building brand equity, ensuring that each of Kruger Products' brands offers a contemporary, unique brand proposition to the targeted consumer. Kruger Products' extensive marketing operations also provide it with economies of scale to track competitive intelligence and research on North American and global tissue trends. The sales team supports marketing efforts and is the direct liaison with customers and retailers. It plays a strategic advisory role with retailers, assisting with category management and efficient promotional and shelf assortment initiatives. Kruger Products' sales team has strong customer relationships throughout Canada and the U.S., reinforced by an organizational structure that has both national and regional footprints.

### **Customers**

Kruger Products' consumer products are sold to the Canadian and U.S. retail grocery industry, either directly or through wholesalers, and to a number of other retail distribution groups, including drug stores, variety stores, mass merchandisers and wholesale clubs. Many of Kruger Products' long-standing customer relationships extend beyond 35 years. In both Canada and the U.S., Kruger Products' AFH products are sold directly to commercial customers, to general or specialized distributors /wholesalers and to building services contractors. The distributors in turn deliver Kruger Products products to end-users, which can range from local restaurants and schools to major hotels and office buildings across the country. Kruger Products also supports other segments including healthcare (acute and long-term care) and a variety of manufacturers.

### **Product Development**

Kruger Products' strong product development program plays a significant role in its ongoing objective of developing and maintaining products that are clearly differentiated in the marketplace. Kruger Products' product development team creates products designed to meet customer and consumer needs, which in turn leads to increased sales as well as opportunities for cost reduction.

Kruger Products uses a stage-gate process entitled AIM ("Advancing Initiatives to Market") to initiate, execute, and track newly developed products for the Consumer business. Ideas are assembled from all stakeholders – marketing, sales, operations, and technology. A small team of specialized technical personnel work closely with the product development coordination team to schedule and manage anything from pilot to commercial



trials. In the course of these, costs are assessed and these are used to feed the stage-gate process to determine whether or not certain products are accepted for sale into the marketplace. Final acceptance requires sign-off by all key stakeholders.

## **Environment, Social & Governance (ESG)**

Launched in 2021, Kruger Products' 10-year sustainable development plan—Reimagine 2030—is built on the belief that it can grow its business while having a positive impact on the planet. This strategy builds upon the success of past programs, and includes four pillars--Products Empower, Planet Conscious, Employee Impact and Community Embrace--and four new targets to achieve by 2030:

- reducing its Scopes 1 and 2 GHG emissions by 25% (intensity-based vs. 2009 benchmark)
- reducing its water consumption by 50% (intensity-based vs. 2009)
- reducing its virgin plastic packaging in branded products by 50% (intensity-based vs. 2020 baseline)
- utilizing 100% third-party certified fibres in the manufacture of its products

In addition to these targets, Kruger Products monitors and annually discloses in its sustainability report the following metrics: energy consumption by type, Scope 3 GHG emissions, water effluent discharge, waste generation and diversion, fibre consumption by type, packaging components by type as well as third-party certified products.

In 2023, Kruger Products was named one of Canada's Best 50 Corporate Citizens by *Corporate Knights* for the sixth consecutive year. Kruger Products was recognized with top-quartile scores on sustainable revenue, sustainable investment, diversity among executives, and pension fund quality.

### Environment

#### Pillar 1: Products Empower

Approximately 90% of Kruger Products' packaging is fibre-based with a significant percentage of recycled input and fully recyclable with the remaining percentage plastic-based. Through 2023, Kruger Products continues to explore opportunities to reduce its virgin plastic packaging intensity; 2023 results increased by 8% over 2020 baseline results. Kruger Products is actively pursuing plans for reducing its virgin plastic packaging through downgauging and the use of alternative materials. Kruger Products was the first tissue manufacturer to join the Canada Plastics Pact, and is an active member of the flexible working group, which brings together industry to create a circular economy in Canada in which plastic waste is kept in the economy and out of the environment.

Kruger Products was the first Canadian tissue manufacturer to earn Forest Stewardship Council® (FSC®) chain of custody certification in 2011. In 2023, Kruger Products maintained 100% third-party certified fibres including 89% FSC® and 11% Sustainability Forestry Initiative (SFI®)/PEFC. 69% of its fibre was sourced from Canada while the remaining 31% was sourced from Brazil as FSC® certified. Kruger Products offers one of the largest third-party certified product portfolios in North American including 186 FSC certified, 29 SFI certified, 49 UL EcoLogo-certified and 1 Green Seal certified.

In 2022, Kruger Products launched its new, sustainably-focused Bonterra™ Bath Tissue, Paper Towel and Facial Tissue products made in Canada from responsibly-sourced FSC® certified recycled paper; produced in a carbon-neutral manner; and wrapped in plastic-free, recyclable paper packaging. Bonterra is a proud partner of 4ocean and One Tree Planted, to fund the annual removal of 100,000 lbs of plastic from the ocean and to plant at least 30,000 trees per year. To date, Kruger Products has funded the removal of 110,000 pounds of plastic and the planting of over 100,000 trees.

#### Pillar 2: Planet Conscious

Through 2023, Kruger Products has reduced its water consumption intensity by 42% and reduced its GHG emissions intensity by 19% from 2009 baseline. In 2023, investments in energy efficiency projects included: a Cogen Steam Pipeline in Sherbrooke, QC resulting in a nearly 15,000 MT GHG emission reduction and the successful ISO 50001 certifications at our New Westminster and Crabtree facilities, estimated to reduce emissions by nearly 5,000 MT of GHG annually.

## Social:

### Pillar 3: Employees Embrace

Kruger Products cultivates its workplace practices so that every employee feels inspired and even more supported to achieve their aspirations and make their desired impact. Kruger Products is committed to ensuring that Kruger Products is a place where everyone can be their best selves and let their greatness shine. Kruger Products believes its people are its greatest strength and is focused on positively disrupting its culture to become even more progressive and purpose driven. Kruger Products continues to meet the needs of its evolving workforce, celebrate its differences and work to become stronger together.

Kruger Products' people fuel the innovation that drives its business growth and sustainable development progress. Its workplace environment enables people to reach their full potential, encourages creative thinking and celebrates diversity of thought.

- **Health & Safety**  
Providing the safest possible work environment to all its employees is in Kruger Products' DNA. Kruger Products has a company-wide strategy that helps it maintain its high standards on health and safety, and all of its facilities work hard at ensuring a safe work environment. In 2023, Kruger Products achieved a 0.86 OSHA Total Incident Rate, a 78.5% improvement vs. 2015 baseline.
- **Diversity, Equity & Inclusion**  
Kruger Products' Diversity, Equity & Inclusion (DEI) statement, "We See Greatness in You – your differences make us stronger" exemplifies its commitment to ensuring it has diverse teams that reflect the communities, customers, and consumers Kruger Products has the privilege of serving. It is Kruger Products' colleagues who bring this to life, not just in what they do, but also in how they do it.

The diversity of thought, experiences, and perspectives its people bring contribute to the high performance of Kruger Products' teams. Kruger Products truly believes that the variety of skills, backgrounds, perspectives and talent across its workforce makes the company a great place to work. Kruger Products annually discloses diversity metrics of its leadership team and Board of Directors in its sustainability report.

- **Training & Development**  
Kruger Products is invested in the growth and development of its employees. Kruger Products built a Talent Management Framework that defines its focus and the programs it delivers to support its employees. Kruger Products prioritizes employee development. Its learning programs and development offerings strike a connection between what each team member is personally motivated by and needs to work on, and what the organization needs from a skills or capabilities perspective.

In 2023, Kruger Products was recognized as one of the Greater Toronto Area's Top Employers for the eleventh consecutive year, was named one of *Forbes* Canada's Best Employers and was recognized by Women in Governance Parity Certification for the fourth consecutive year.

### Pillar 4: Community Embrace

Kruger Products believes that it should always be making a difference in the lives of its employees, customers, and community members. Kruger Products invests time in community-building activities to contribute to the health, welfare and social well-being of neighbours and community partners across Canada and in the U.S.

- **Community Investing**  
Kruger Products aligns with the community and philanthropic endeavours are strategically focused and share importance with its consumers, employees, and customers, particularly in the areas of cancer research, children's health, environmental conservation and women's sports. The Kruger Big Assist was developed in 2020 to help make hockey more accessible, by providing financial assistance to Canadian families. In 2023, Kruger Products is continuing the program by committing another \$200,000 to Canadian minor hockey families in need. Five minor hockey associations will each receive a \$25,000 grant (one per geographic

region) and one of the five regional winners will have the opportunity to receive an additional \$75,000 Grand Prize to help remove barriers to give more kids access to hockey. To date, Kruger Products has donated over \$800,000 to over 40 hockey communities across Canada, helping to make Canada's game more accessible and inclusive. The program was recognized by *Canadian Grocer* two years in a row with a 2022 and 2023 Community Service Impact Award.

Kruger Products' long-term national sponsorships and partnerships include:

- Scotties Tournament of Hearts presenting sponsor since 1981, supporting women's curling
  - Canadian Cancer Society, supporting the breast cancer cause since 2005 as well as the Quebec Breast Cancer Foundation since 2017
  - Ronald McDonald House Charities Canada since 1990
  - Official Paper Product Sponsor of the National Bank Open presented by Rogers since 2012
  - Official Tissue Partner of the NHL since 2018
- Employee Volunteering  
Kruger Products encourages its employees to act as positive stewards and volunteers in their communities through donating their time to charities or causes they are passionate about. Its employees have participated in activities from cooking, serving meals, tree planting or delivering products to local charities. Kruger Products has extended volunteer opportunities to the children of its employees – inspiring youth and the next generation to give back. Kruger Products' various facilities also proudly make a unique positive impact in their local communities by volunteering for causes they care about. Across Kruger Products, it supports more than over 50 local initiatives and organizations.

#### Governance

The Corporation's and Kruger Products' Boards of Directors have oversight of Kruger Products' ESG strategy, disclosure and ESG risks (including risks relating to climate change). The Governance Committees are responsible for reviewing Kruger Products' ESG risk assessments and performance against objectives and provide related reports and recommendations, where appropriate to the Boards. Kruger Products' CEO and Leadership Team have responsibility for execution of the ESG Strategy. Kruger Products' Vice President of Sustainability leads the development of the strategy to reduce the company's environmental footprint supported by cross-functional teams across the organization.

Each of Kruger Products' facilities utilize a proprietary Environmental Management System ("EMS"). Kruger Products operates within the following policies available on its website [www.krugerproducts.ca/sustainability](http://www.krugerproducts.ca/sustainability):

- Code of Ethics
- Environmental Policy
- Fibre Procurement Policy
- Supplier Code of Conduct

Kruger Products reports annually to the CDP climate questionnaire, achieving a B grade, and forestry questionnaire, achieving a B grade in 2023. Kruger Products' progress on its sustainability efforts are published annually on its website [www.krugerproducts.ca/sustainability](http://www.krugerproducts.ca/sustainability).

#### **Large, Geographically Diverse and Efficient Manufacturing Infrastructure**

Kruger Products has the largest combined annual production capacity of bathroom tissue, paper towels, facial tissue and napkins in Canada, at approximately 350,000 metric tonnes or approximately 44% of Canada's current production capacity, according to RISI data. Across Canada and United States, Kruger Products has a total annual production capacity of 435,000 metric tonnes.

Kruger Products' Canadian and U.S. plants are strategically located in close proximity to its customers and logistics providers, which allows it to maintain operational flexibility and lower overall distribution costs. In addition, Kruger Products is the only Canadian tissue company with manufacturing operations in Western Canada, which, in

addition to lowering distribution costs, allows Kruger Products to develop strong relationships with local suppliers and customers.

**Manufacturing Process and Technologies**

There are two general processes involved in manufacturing tissue products: tissue roll production and converting. In tissue roll production, paper machines are used to make a base sheet which, in turn, is transformed into a parent roll. The parent roll is then converted into a finished product using specialized winder equipment.

The primary raw material used in the production of tissue paper is pulp, which can be produced from either fresh wood fibre or recycled waste paper.

The main manufacturing processes utilized and referred to in the industry are wet crepe (“WC”), light dry crepe (“LDC”), single recrepe (“SRC”) and through-air-dried (“TAD”). These processes are summarized in the table below.

Wet Crepe	<ul style="list-style-type: none"> <li>• Used for lower grade and lower priced products</li> <li>• Main technology used for products in the AFH business</li> <li>• Technology used in the consumer napkin category and low grade paper towels</li> <li>• Recycled fibre is the main fibre input</li> </ul>
Light Dry Crepe	<ul style="list-style-type: none"> <li>• Primary technology in the consumer business and produces better quality than wet crepe</li> <li>• Final product quality significantly varies depending on the amount of virgin pulp used in combination with recycled fibre</li> <li>• Lower quality Light Dry Crepe products have a higher percentage of recycled fibre</li> <li>• Most private label products also use Light Dry Crepe technology as do AFH premium products</li> </ul>
Single Recrepe	<ul style="list-style-type: none"> <li>• Similar to Light Dry Crepe, but can achieve higher quality in terms of softness and bulk</li> <li>• Able to use recycled fibre (lower cost) and/or pulp</li> </ul>
Through-Air-Dried (TAD)	<ul style="list-style-type: none"> <li>• Used for high quality, high softness products</li> <li>• Less pressure is applied to the sheet during the drying stage, preventing bulk loss</li> <li>• More bulk caliper per weight of fibre results in a lower cost per case (fewer sheets per roll)</li> </ul>

The final stage of manufacturing is known as converting. In this stage, the large parent rolls are slit and rewound, or folded, into the final sizes and formats sold to the consumer or final user. In addition, the final packaging takes place as well.

Kruger Products uses all prevalent tissue manufacturing technologies in its plants: wet crepe, light dry crepe, single recrepe and through-air-dried.

Kruger Products also has 38,000 metric tonnes of TAD capacity at its Laurier plant in Canada, used primarily for production of paper towels. This allows Kruger Products to have a more competitive product offering in the

Canadian paper towel category. With the addition of the Memphis and Sherbrooke TAD machines, Kruger Products is able to produce high quality bathroom tissue and paper towel products in the U.S. and Canada. The Memphis and Sherbrooke TAD machines significantly improve product performance and quality while reducing overall costs per case.

Kruger Products also employs double-nip-embossing technology in its “ultra” and premium bathroom tissue products, a tissue manufacturing process by which individual plies are embossed prior to being combined or joined together, enhancing aesthetic appeal as well as bulk (thickness) development.

## **Suppliers**

Kruger Products strategically sources from a diverse group of suppliers in order to reduce dependency risk. Kruger Products has strong long-standing relationships with many of its key suppliers, including well-established large-scale suppliers that are experts in their respective offerings.

Pulp and recycled fibre are the largest components of tissue product costs. Pulp is a world-wide easily accessible commodity. Though underlying pulp costs can fluctuate based on worldwide shifts in supply and demand, there has historically been an ability to pass along fluctuations to end customers and consumers. However, the ability to pass through the full amount of pulp cost increases has more recently been affected by the competitive market situation at the time of the fluctuation. Pulp types used by Kruger Products include Northern Bleached Softwood Kraft, eucalyptus, recycled fibre and other fibres. Kruger Products has over 10 large pulp suppliers.

In addition, Kruger Products has over 4 large waste paper suppliers. While the supply of waste paper has been declining in the market over the last few years, Kruger Products’ dependency risk remains low as it has relationships with numerous suppliers.

Kruger Products has multiple suppliers for each of the other key supplies required for its business, including electricity and natural gas, packaging, chemicals, freight and pallets. Kruger Products has over 10 major Canadian carriers, which transport most of its products across North America. Included in these providers are several of Kruger Products’ customers who pick up merchandise directly from Kruger Products warehouses and charge the distribution costs back to Kruger Products. Certain purchasing services are provided by Kruger under the Management Services Agreement. Kruger Products obtains many of its supplies and services pursuant to master supply or service agreements negotiated and entered into by Kruger (or one of its affiliates) for itself and on behalf of certain of its subsidiaries, including Kruger Products. See “Commercial Relationship between Kruger and Kruger Products” below.

## **Properties**

Kruger Products currently operates at a total of nine production locations in Canada and the United States, including five paper manufacturing plants across Canada, four in the province of Québec and one in the province of British Columbia, along with three converting only sites, two in the province of Ontario and one in the province of Quebec. All of the Kruger Products facilities are located close to key markets and provide a competitive product advantage to Kruger Products, providing it with operational and pricing flexibility and lower distribution costs. Kruger Products’ papermaking capacity currently represents approximately 44% of the total installed Canadian capacity. Kruger Products’ U.S. operations are located in Memphis, Tennessee in KTG. The KTG Memphis site real property is leased through the Industrial Development Board of the City of Memphis and County of Shelby Tennessee under a long-term PILOT (payment in lieu of taxes) lease, with the option of ownership returning to KTG at any time during the 15 year lease for a minimal fee, or by the end of the lease in 2026. Kruger Products regularly invests in its plants to maintain them in good working condition and/or to upgrade or increase capacity to meet increasing customer demand. All of Kruger Products’ Canadian paper plants and converting facilities and related land are owned by Kruger Products, except for the land on which the Gatineau Plant is built, which is subject to a lease with a term ending in March 2028. During the year ended December 31, 2019, Kruger Products entered into a new land lease with the NCC for its Gatineau Plant that commences in March 2028 and permits Kruger Products to secure the site until March 2053.

Kruger Products' paper plants, converting facilities, brands produced and technologies used are listed below.

	<u>Gatineau</u>								
	<u>New Westminster</u>	<u>Sherbrooke</u>	<u>Crabtree</u>	<u>Lennoxville</u>	<u>Laurier</u>	<u>Richelieu<sup>(1)</sup></u>	<u>Memphis</u>	<u>Trenton<sup>(1)</sup></u>	<u>Scarborough<sup>(1)</sup></u>
Production Capacity (metric tonnes) .....	67,000	70,000	92,000	24,000	97,000	N/A	85,000	N/A	N/A
Paper Machines....	2	1	4	1	3	0	2	0	0
Converting Lines .....	8	4	12	0	0	11	6	11	20
Brands Produced	<i>Purex, Scotties, AFH</i>	<i>Cashmere, SpongeTowels, Purex, White Cloud, Satinelle</i>	<i>Cashmere, SpongeTowels, White Swan, Purex, AFH, Bonterra</i>	<i>Cashmere, AFH</i>	<i>Scotties, White Swan, SpongeTowels, AFH</i>	<i>Scotties, White Swan, AFH</i>	<i>White Cloud, Satinelle</i>	<i>Chalet/M, White Swan, Embassy, Metro, AFH</i>	<i>Chalet/M, White Swan, Embassy, Metro, AFH</i>
Paper Technology	LDC	TAD	LDC	LDC	WC, LDC, TAD	N/A	LDC, TAD	N/A	N/A

(1) These facilities are converting only.

Kruger Products' warehousing facilities are strategically located near customer warehouses and operations. Kruger Products' facilities are located both on plant sites, as well as operated by third parties off site. The following table lists Kruger Products' warehouses. At certain locations, Kruger Products contracts out its warehouse operations to third parties.

Warehouse Locations	Size	Owned/Leased
New Westminster		
• New Westminster Off-Site Warehouse (Gifford St.)	504,000 sq. ft.	Leased <sup>(1)</sup>
Crabtree and Lennoxville		
• Laval - Dagenais (third party operator)	390,000 sq. ft.	Leased <sup>(1)</sup>
• Joliette	140,000 sq. ft.	Owned
• Laval - des Rossignols (third party operator)	207,000 sq. ft.	Leased
• Laurin Logistique	61,500 sq. ft.	Leased
• Gestion Guibeault	91,500 sq. ft.	Leased
• EBI	50,000 sq. ft.	Leased
Gatineau		
• Gatineau Plant Warehouse	242,400 sq. ft.	Owned
Memphis		
• Memphis Plant Warehouse	420,000 sq. ft.	Owned
• Southaven, Mississippi	350,000 sq. ft.	Leased
Trenton		
• Trenton Plant Warehouse	50,000 sq. ft.	Owned
Scarborough		
• Scarborough Plant Warehouse	30,000 sq. ft.	Owned
Oshawa		
• Oshawa AFH Distribution Centre	313,000 sq. ft.	Leased
Whitby		
• Whitby AFH Overflow facility	236,000 sq. ft.	Leased
Sherbrooke		
• Investissement Renée St-Pierre	75,000 sq. ft.	Leased
• Immex (75 JA Bombardier)	236,000 sq. ft.	Leased
• Recyclage MN-Magog	65,000 sq. ft.	Leased
• Wiptec	105,000 sq. ft.	Leased
• Immex (3400 King Ouest)	105,000 sq. ft.	Leased
• Piper Logistics (Franklin, Indiana)	30,000 sq. ft.	Leased

(1) Leased from an entity that is 50% owned by an affiliate of Kruger.

### Intellectual Property

Kruger Products owns several trademarks for consumer brands, packaging claims, packaging designs, advertising slogans and industrial designs. These brands include *Cashmere*, *Purex*, *Bonterra*, *White Swan* and

*Satinelle* in the bathroom tissue category, and *SpongeTowels* in the paper towels category. Kruger Products owns the *White Cloud* trademark (as used to identify tissue products and non-tissue products in certain jurisdictions) and, in the facial tissue category, has a license with Kimberly-Clark to use the *Scotties* trademark in Canada on a royalty-free basis for 25-years ending in September 2046 with options to renew for additional successive 25-year periods.

## **Employees**

In total, Kruger Products has approximately 2,800 employees, the majority of whom work in Kruger Products' manufacturing facilities. Of the 2,800 employees, approximately 2,100 are hourly employees and 700 are salaried employees. Approximately 2,400 of the 2,800 employees are in Canada and the remaining approximately 400 employees are in the U.S. The majority of hourly employees in each of Kruger Products' manufacturing facilities operate under collective bargaining agreements. Kruger Products Management believes that it has good labour relations with its unionized employees.

## **Government Regulation**

Kruger Products' operations are subject to various federal, provincial, state and local laws affecting its business, including licensing and regulation regarding health, sanitation, safety, fire, building codes and other matters in the provinces or municipalities in which facilities and offices are located. Developing new manufacturing facilities and warehouses in certain locations requires various licenses and land use approvals. As a result, development could be delayed in any given circumstance by difficulties in obtaining such licenses and approvals or by more stringent requirements of local government bodies with respect to zoning, land use and licensing.

### *Advertising Regulations*

Kruger Products is a member of the Association of Canadian Advertisers and Advertising Standards Canada, a national industry body committed to implementing the Canadian Code of Advertising Standards. This code is the principal instrument of advertising regulation and includes guidance for acceptable advertising including accuracy and clarity, comparative advertising, price claims and professional and scientific claims.

### *Environmental Regulations*

Kruger Products is subject to environmental laws and regulations imposed by the various governments and regulatory authorities in Canada and the United States. These environmental laws and regulations impose stringent standards on Kruger Products, regarding, among other things: (i) air and noise emissions; (ii) water discharges; (iii) use and handling of hazardous materials; (iv) use, handling and disposal of waste; and (v) remediation of environmental contamination.

All manufacturing locations are subject to a periodic environmental audit. To date, costs of compliance with changing environmental regulations have not been significant in relation to the size of Kruger Products.

## **Commercial Relationship between Kruger and Kruger Products**

### *Management Services Agreement*

Kruger Products and Kruger are parties to a Third Amended and Restated Management Services Agreement dated as of November 15, 2019 with effect as of January 1, 2020 (the "Management Services Agreement") pursuant to which Kruger provides certain management and support services to Kruger Products, including corporate management support and administrative support services; accounting and tax support; corporate financing and treasury support; benefits and human resources support services; corporate insurance; corporate procurement services complementary to Kruger Products procurement; project development and management services (including in connection with the Sherbrooke Expansion Project), corporate development support, environmental support and corporate engineering support services. The annual management fee paid by Kruger Products to Kruger is \$8.28 million which amount is adjusted for inflation annually (\$7.79 million in 2022, including in connection with the TAD Sherbrooke Project and the Sherbrooke Expansion Project). The Management Services Agreement, which was



approved by an independent committee of the board of Kruger Products, amended and restated the Second Amended and Restated Management Services Agreement dated as of December 13, 2012 to increase the scope of management and support services provided by Kruger and to increase the annual management fee accordingly and to extend the term to ensure support through current initiatives.

The term of the Management Services Agreement expires on December 31, 2025. The term shall be automatically renewed thereafter for consecutive one-year periods unless one of the parties provides the other with prior notice of termination at least three months prior to the expiry of the term or any renewal period. Kruger is not entitled to terminate the Management Services Agreement unless Kruger Products fails to pay required fees under the agreement and fails to remedy such default within the 30-day cure period provided under the agreement. Kruger Products is not entitled to terminate the Management Services Agreement unless Kruger fails to provide the required services in accordance with the agreement for a period of four consecutive weeks and fails to cure such breach within the 30-day cure period provided under the agreement. The foregoing is a summary of the principal terms of the Management Services Agreement. Such summary is not exhaustive and is qualified by the terms of the agreement, which was filed with the Canadian securities regulatory authorities and is available under the Corporation's profile on [www.sedarplus.ca](http://www.sedarplus.ca).

#### *Master Supply and Service Agreements*

Kruger Products obtains some of its services and supplies, including its supply of pulp and waste paper, energy and chemicals, pursuant to master supply and services agreements negotiated and entered into by Kruger (or one of its affiliates) on its own behalf and on behalf of certain of its subsidiaries, including Kruger Products. Kruger negotiates master supply and services agreements in this manner with a view to increasing the efficiency of its negotiations and obtaining advantageous pricing for its subsidiaries. Under these arrangements, Kruger Products issues purchase orders to or otherwise contracts directly with the supplier for such purchases but on the terms provided for in the applicable master supply and services agreement.

While Kruger Products obtains certain benefits from these arrangements, including advantageous pricing in some circumstances, Kruger Products Management believes that Kruger Products would be able to obtain the services and supplies even if Kruger was not conducting the negotiations and that any resulting increase in pricing would not adversely affect Kruger Products' business in a material way.

#### *Kruger Trademark License Agreement*

Pursuant to an Amended and Restated Trademark License Agreement between Kruger and Kruger Products dated as of December 13, 2012, as further amended by a second Amended and Restated Trademark License Agreement on January 1, 2023 (the "Kruger Trademark License"), Kruger granted a non-exclusive, royalty-free, long-term license to Kruger Products to use the name "Kruger" and the trademarks provided for in such agreement. The initial term of the licence expires 25 years after its effective date, subject to rights of termination upon the occurrence of certain events including, among others, a change of control of Kruger Products. The term can be renewed at Kruger Products' option for additional 25-year terms upon written notification to that effect. The foregoing summary is qualified by the terms of the Kruger Trademark License, which was filed with the Canadian securities regulatory authorities and is available under the Corporation's profile on [www.sedarplus.ca](http://www.sedarplus.ca). The Kruger Trademark License Agreement was amended and restated to reflect the Reorganization.

#### *Lease from an Affiliate of Kruger*

The Laval and New Westminster warehouses described above under "Warehouse Locations" are leased by Kruger Products from an entity of which an affiliate of Kruger is a 50% owner. Kruger Products Management believes that such leases are on reasonable commercial terms that, considered as a whole, are not less advantageous to Kruger Products than if the leases were with a person dealing at arm's length with Kruger Products.

### *Inter-affiliate Purchases and Sales*

Kruger Products purchases certain supplies and services from Kruger and its affiliates, including fibre procurement services from the Kruger recycling division, Kraft pulp from Kruger's paper division and packaging supplies from Kruger Packaging. Such supplies and services are generally provided at market prices. Kruger Products Management believes that if it did not contract with Kruger with respect to such supplies and services, it could contract with other suppliers and purchasers on substantially the same terms. Kruger and Kruger Products enter into agreements for the purchase and sale of such supplies and services. Such agreement provides that such transactions are to occur on arm's length terms.

## **MATERIAL CONTRACTS**

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which the Corporation or Kruger Products have entered into since the beginning of the last fiscal year before the date of this Annual Information Form or entered into prior to such date but which contract is still in effect. Each of the summaries below describes certain material provisions of the relevant material contract and is subject to, and qualified in its entirety by reference to, the relevant material contract, a copy of which is available and filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

### **Material Contracts of the Corporation**

#### *Shareholders' Agreement*

#### *Kruger Board Representation*

Each of Kruger and the Corporation undertakes to exercise its votes to cause the number of directors of Kruger Products to consist of nine directors, unless otherwise agreed between the shareholders and in favour of the election as directors of Kruger Products of the nominees that the Corporation or Kruger, as applicable, has the right to designate for election pursuant to the Shareholders' Agreement. The Corporation has consented to an increase in the number of directors of the Kruger Products Board from nine to ten directors, consistent with its prior consent in March 2020 to increase the size of the board of the general partner of KPLP in the context of Sarah Kruger's election to that board. The number of nominees to the Kruger Products Board to be designated by the Corporation from time to time is based on the Corporation's proportionate ownership interest of Kruger Products (as reduced to account for Kruger's proportionate ownership interest in the Corporation, if any) (the "Corporation Aggregate Ownership Interest") at the time of designation as follows:

- If the Corporation Aggregate Ownership Interest is less than or equal to 50%, the Corporation may designate up to three nominees and Kruger may designation up to six nominees;
- If the Corporation Aggregate Ownership Interest is greater than 50% but less than or equal to 60%, the Corporation may designate up to five nominees, provided that the fifth such nominee will be subject to the approval of Kruger, acting reasonably, and Kruger may designate up to four nominees;
- If the Corporation Aggregate Ownership Interest is greater than 60% but less than or equal to 70%, the Corporation may designate up to six nominees, and Kruger may designate up to three nominees;
- If the Corporation Aggregate Ownership Interest is greater than 70% but less than or equal to 80%, the Corporation may designate up to seven nominees, and Kruger may designate up to two nominees;
- If the Corporation Aggregate Ownership Interest is greater than 80% but less than or equal to 90%, the Corporation may designate up to eight nominees, and Kruger may designate one nominee;
- If the Corporation Aggregate Ownership Interest is greater than 90%, the Corporation may designate all nine nominees.

The Corporation is only entitled to designate individuals who are (a) directors of the Corporation (unless all such directors are already members of the Kruger Products Board, in which case other individuals may be nominated),

(b) “independent” within the meaning of applicable securities laws and stock exchange rules, and (c) are not and have not been affiliated, associated with or otherwise connected to a Kruger competitor. Additionally, in the event that (i) a shareholder of the Corporation (other than Kruger or a Kruger Affiliate) beneficially owns or controls 20% or more of the issued and outstanding Common Shares, and (ii) Kruger’s aggregate ownership interest in Kruger Products (including its indirect interest in Kruger Products held through the Corporation) (the Kruger Aggregate Ownership Interest) is greater than 40%, then all the nominees of the Corporation to Kruger Products’ Board must (A) be approved by the Kruger Products Board (acting reasonably) and (B) enter into confidentiality and code of conduct undertakings satisfactory to the Kruger Products Board (acting reasonably). In the event that Kruger Products issues Kruger Products Shares to a shareholder other than the Corporation or Kruger, such shareholder shall be entitled to nominate a number of members of the KPGP Board proportionate to its equity interest.

For so long as Kruger’s Aggregate Ownership Interest is equal to or greater than 20%, Kruger shall be entitled to propose one director nominee for inclusion amongst the candidates for election as directors of the Corporation at each annual general meeting of shareholders of the Corporation or other meeting convened for the purpose of electing directors (the “Director Nomination Right”). Provided the person proposed by Kruger complies with all applicable legal requirements and stock exchange rules, the Corporation shall include such person’s name in its proxy materials and recommend that the shareholders vote in favour of such person.

*Matters Requiring Unanimous Consent of the Corporation and Kruger*

No obligation of Kruger Products will be entered into, no decision will be made and no action will be taken by or with respect to Kruger Products with respect to the following matters without the unanimous approval of each of the Corporation, and Kruger:

- the undertaking of any business or activity by Kruger Products, other than the business of Kruger Products (namely the manufacturing, marketing, distribution and sales of tissue paper products and sanitary products and other businesses or activities reasonably related, incidental, complementary or ancillary thereto);
- the liquidation, dissolution or winding-up of Kruger Products;
- any amendment or termination (other than in accordance with its terms) of the Management Services Agreement or the Amended and Restated Administration Agreement;
- any redemption, purchase or repurchase of Kruger Products Shares or other equity securities of Kruger Products by Kruger Products, other than pursuant to a normal course issuer bid or a substantial issuer bid in accordance with the terms of the Shareholders’ Agreement;
- the issuance of Kruger Products Shares (or other equity interests in Kruger Products) to Kruger or its affiliates at a share price less than 95% of the Current Trading Price (as defined in the Shareholders’ Agreement), unless (i) the Corporation or another person not related to Kruger acting on a bona fide basis is also being issued Kruger Products Shares or other equity interests where the number of such Kruger Products Shares is at least 20% of the number of Kruger Products Shares being issued to Kruger and its affiliates and the issue price for such Kruger Products Shares is not less than 85% of the Current Trading Price, or (ii) the Kruger Aggregate Ownership interest prior to such issuance is less than 20%;
- the issuance of new Kruger Products Shares representing more than 25% of the then-issued and outstanding Kruger Products Shares in connection with which the Corporation does not exercise its Pre-Emptive Right;
- the entering into by Kruger Products of a related-party transaction (within the meaning of Regulation 61-101 Respecting the Protection of Minority Security Holders in Special Transactions), that would reasonably be expected to transfer value from Kruger Products to a shareholder or an affiliate of a shareholder, other than those arrangements between Kruger Products and its shareholders existing as of the date of the Shareholders’ Agreement and that were not entered into in violation of the Limited Partnership Agreement of KPLP;
- any transaction involving the amalgamation of Kruger Products by way of arrangement;
- any continuance of Kruger Products under the laws of another jurisdiction; and

- any amendment to the articles of Kruger Products.

#### *Transfer Restrictions*

Except as expressly provided in the Shareholders' Agreement, the Exchange Agreement, or with the unanimous approval of the shareholders of Kruger Products, no shareholder shall transfer all or any part of its shares or its rights under the Shareholders' Agreement. Shares may be transferred only by a written instrument of transfer delivered to Kruger Products and recorded in the Register.

#### *Right of First Offer of the Corporation in Respect of Sale of Kruger Products Shares by Kruger*

If Kruger decides to sell Kruger Products Shares from time to time either (i) on its own initiative, or (ii) following the receipt of an offer from a third party, the Corporation shall have a right of first offer to purchase such Kruger Products Shares (the "Share Sale Right"), subject to compliance with applicable laws and to the conditions set forth in the Shareholders' Agreement.

#### *Tag-Along Right of the Corporation*

Provided that it has complied with the Share Sale Right, in the event that Kruger proposes to sell more than 20% of the issued and outstanding Kruger Products Shares that Kruger owns to a third party at a price per Kruger Products Share greater than 115% of the market price of the Common Shares calculated as of the date of the tag-along offer (subject to adjustment if the Kruger Products Shares and Common Shares are not of equal value), then Kruger may only sell such Kruger Products Shares if Kruger causes the third party to extend its offer to also purchase the Kruger Products Shares held by the Corporation, at the same price and on the same conditions as those sold by Kruger. In the event the number of Kruger Products Shares to be purchased has been specified by the third party, then each of Kruger and the Corporation shall have the right to sell a proportionate share of their Kruger Products Shares. If the Corporation elects to exercise its right to participate in the offer, then the Corporation may hold a meeting of shareholders at which the Corporation's shareholders shall be asked to approve the participation of the Corporation in the sale.

#### *Drag-Along Right of Kruger*

Provided that it has complied with the Unit Sale Right, for so long as the Kruger Aggregate Ownership Interest is equal to or greater than 66<sup>2</sup>/<sub>3</sub>%, if Kruger decides to sell all of its Kruger Products Shares for cash and the board of Kruger Products has obtained a fairness opinion stating that the per Kruger Products Share price is fair to the holders of Kruger Products Shares, Kruger will have the right to require the Corporation to sell all of its Kruger Products Shares to the purchaser on the same terms and conditions as Kruger (the "Drag-Along Right"). The sale by the Corporation of its Kruger Products Shares will take place at the same time, and will be conditional upon, the sale of the Kruger Products Shares offered by Kruger. Kruger will assume the liability for any representations and warranties regarding Kruger Products that Kruger gives to the third party purchaser under the relevant purchase agreement.

#### *Pre-Emptive Right to Acquire Kruger Products Shares*

Any additional Kruger Products Shares to be issued by Kruger Products shall first be offered to each of the Corporation and Kruger which may purchase a number of new Kruger Products Shares corresponding to their respective proportionate share of Kruger Products (and such additional number of Kruger Products Shares offered for sale that the other shareholder does not choose to purchase) (the "Pre-Emptive Right").

If the Corporation intends to exercise its Pre-Emptive Right (which it shall not unreasonably refuse to do), it shall (a) consult with financial advisors or underwriters, (b) use all reasonable efforts to obtain commitments in respect of a prospectus offering at the highest price per Common Share that the Corporation is reasonably able to obtain that is expected to yield aggregate gross proceeds sufficient for the Corporation to pay the subscription price for the exercise of its Pre-Emptive Right and (c) provide notice of such commitment to Kruger Products in each case within the timeframes prescribed by the Shareholders' Agreement.

The Corporation, Kruger Products and Kruger will, to the extent possible, prevent certain events from occurring which would result in the indirect economic interest in Kruger Products represented by a Common Share diverging from the direct economic interest in Kruger Products represented by a Kruger Products Share, including splits or consolidations of the Common Shares without a corresponding split or consolidation of the Kruger Products Shares, issuances or repurchases of Common Shares without corresponding issuances or repurchases of Kruger Products Shares, acquisition of assets by the Corporation other than Kruger Products Shares or incurrence of liabilities other than ordinary course liabilities, or special distributions by the Corporation of rights, certain other securities, debt or assets to all shareholders.

#### *Share Redemptions*

If Kruger Products determines that it is advisable for the Corporation to proceed with a normal course issuer bid or a substantial issuer bid for Common Shares, it can require the Corporation to initiate a process to do so. In connection with any such issuer bid, Kruger Products shall advance any funds required to pay for the purchases of the Common Shares. Any advances by Kruger Products for this purpose will be repaid as soon as possible by the purchase for cancellation by Kruger Products from the Corporation of the corresponding number of Kruger Products Shares held by the Corporation (subject to adjustment if the Common Shares and Kruger Products Shares are not of equal value). In such case, Kruger and the Corporation will be entitled to cause Kruger Products to purchase from it a corresponding *pro rata* number of Kruger Products Shares.

#### *Right of First Offer of the Corporation in Respect of Sale of Assets of Kruger Products*

If Kruger Products decides to sell all or substantially all of its assets for cash or publicly-listed securities and initiates a process to do so (i) on its own initiative, or (ii) following the receipt of an offer from a third party, the Corporation shall have a right of first offer to purchase such assets subject to the conditions set forth in the Shareholders' Agreement.

#### *Disclosure Obligations of Kruger Products*

As long as the Corporation is a "reporting issuer" under applicable securities laws, Kruger Products shall provide to it, subject to restrictions under applicable laws or confidentiality obligations, and at no cost to the Corporation, access to such financial and other information and documents related to Kruger Products which is reasonably required for compliance with the continuous disclosure and reporting requirements of a reporting issuer, and shall notify the Corporation without delay of any material change concerning Kruger Products.

#### *Covenants of the Corporation*

The Corporation covenants with Kruger Products and Kruger that it shall not undertake certain actions without the prior written consent of each shareholder of Kruger Products (excluding the Corporation) including amendments to the Corporation's constituting documents, liquidation, dissolution, winding up, issuance of shares to a third party, redemptions of shares by the Corporation, and the acquisition, disposal or encumbrance of the Corporation's assets above set thresholds.

In the event of a breach by the Corporation of its covenants, certain rights of the Corporation under the Shareholders' Agreement may be suspended. See "Risk Factors — Loss of Rights under the Shareholders' Agreement".

#### *Kruger's Right to Nominate a Director of the Corporation*

For so long as the Kruger Aggregate Ownership Interest is equal to or greater than 20%, Kruger shall be entitled to propose one director nominee for inclusion amongst the candidates for election as directors of the Corporation at each annual general meeting of the shareholders of the Corporation or other meeting convened for the purpose of electing directors. Provided the person proposed by Kruger complies with all applicable legal requirements and stock exchange rules, the Corporation shall include such person's name in its proxy materials and recommend that the shareholders vote in favour of such person.

### ***Administration Agreement***

Pursuant to the Administration Agreement, Kruger Products, as administrator (the “Administrator”) has full power and authority to administer, subject to the general supervision and any specific instructions of the Corporation Board, all of the ongoing operations and affairs of the Corporation in order for the Corporation to carry on its activities as a public company.

The services provided by the Administrator under the Administration Agreement include but are not limited to: (i) shareholder services, including investor relations, and convening and holding shareholder meetings; (ii) matters relating to the Corporation’s listing on the Toronto Stock Exchange including the timing and terms of future issuances or repurchases of Common Shares or other securities of the Corporation, attending to any administrative matters in connection with the Common shares or other securities of the Corporation and the payment of the listing and sustaining fees; (iii) reporting activities required to comply with applicable securities legislation and administering the payment of applicable fees, taxes and other amounts levied against the Corporation; (iv) performing accounting and tax services including preparing annual and interim financial statements, treasury and finance services and maintaining the books, records and accounts of the Corporation; (v) operational support including operating expense budgets, office facilities, personnel, technology services, insurance; appointing the Corporation’s bankers and establishing banking procedures to be implemented by the Corporation; (vi) commencing, defending, adjusting or settling suits or legal proceedings in connection with the Corporation; (vii) all such acts, taking all such proceedings, administering funds and making payments, executing all such documents and exercising all such rights and privileges that the Administrator may deem necessary to administer the undertaking and affairs of the Corporation; and (viii) performing any other services reasonably requested by the Corporation that are required in connection with the Corporation’s business and operation of a public company.

The Administrator shall directly bear and pay for all of the Corporation’s normal operating expenses incurred in connection with the ordinary course operation of a company that is a reporting issuer. The Administrator may also advance funds to the Corporation in an amount equal to pay for any expenses of the Corporation that are outside of such ordinary course expenses, by way of non-recourse, interest-free loans, repayable upon payment by the Administrator of dividends to the Corporation. As the Corporation’s agent, the Administrator will also bear and pay all outlays and expenses to third parties incurred by the Administrator in the administration of the affairs of the Corporation and the performance by the Administrator of its duties under the Administration Agreement.

The Administration Agreement may be terminated only: (i) by the Corporation by written notice to the Administrator with immediate effect, upon the occurrence of the following events: (A) the termination of the Shareholders’ Agreement; (B) if the Administrator materially breaches the provisions of the Administration Agreement or is grossly negligent in the exercise of its obligations under the Administration Agreement, and such material breach or gross negligence has not been cured by the Administrator within thirty days of having been notified thereof in writing by the Corporation; or (C) upon the bankruptcy, assignment of assets or voluntary or judicial wind-up of the Administrator; or (ii) with the written consent of the Corporation and the Administrator. Any such termination will not relieve the parties from any obligations or liabilities arising prior to such termination.

### ***Exchange Agreement***

Pursuant to the Exchange Agreement, the Corporation grants Kruger the right to exchange Kruger Products Shares it holds from time to time for Common Shares issued by the Corporation on the basis of one Kruger Products Share for one Common Share, subject to adjustment upon the occurrence of certain events that would result in the indirect economic interest in Kruger Products represented by a Common Share diverging from the direct economic interest in Kruger Products represented by a Kruger Products Share, including splits or consolidations of the Common Shares without a corresponding split or consolidation of the Kruger Products Shares, issuances or repurchases of Common Shares without corresponding issuances or repurchases of Kruger Products Shares, acquisition of assets by the Corporation other than Kruger Products Shares or incurrence of liabilities other than ordinary course liabilities, or special distributions by the Corporation of rights, certain other securities, debt or assets to all shareholders. If at any time the Kruger Aggregate Ownership Interest is less than 20%, the Corporation may require the exchange of all outstanding Kruger Products Shares held by Kruger or its affiliates in return for Common Shares on the basis of one Kruger Products Share for one Common Share subject to adjustment as set forth above.

For so long as the Kruger Aggregate Ownership Interest is greater than 10%, in the event the Corporation issues Common Shares or securities convertible into Common Shares (excluding in connection with certain issuances), Kruger shall have the right to purchase up to such number of Common Shares and/or convertible securities being issued, on the same terms and conditions as the issuance, which will, when added to the Common Shares beneficially owned by Kruger and its affiliates, result in Kruger and its affiliates beneficially owning the same percentage of Common Shares as the percentage immediately prior to the issuance.

The rights of Kruger under the Exchange Agreement may, by written notice to the Corporation, be assigned to any transferee of Kruger Products Shares held by Kruger, as if such transferee were an original signatory to the Exchange Agreement, provided that the transfer of such Kruger Products Shares has been effected in accordance with the provisions of the Shareholders' Agreement. The Exchange Agreement may not be assigned by any of the other parties thereto.

The Exchange Agreement terminates on the date that Kruger, its affiliates and any transferee of Kruger Products Shares held by Kruger no longer hold any Kruger Products Shares or Common Shares.

### ***Non-Competition Agreement***

Pursuant to the Non-Competition Agreement, for so long as the Kruger Aggregate Ownership Interest is greater than 20% or Kruger has a designated nominee on the Kruger Products Board, neither Kruger nor Joseph Kruger II shall, and Kruger will cause its affiliates not to, directly or indirectly, in any manner whatsoever, without the prior written consent of Kruger Products and the Corporation, carry on or engage in any "Restricted Activities" other than in connection with Kruger's or its affiliates' investment in Kruger Products, the operations of Kruger Products, the provision of services to Kruger Products or other activities principally for the benefit of Kruger Products and its subsidiaries. For the purposes of the Non-Competition Agreement, "Restricted Activities" means any activity consisting of the business, in whole or in part, of manufacturing, marketing, distributing and sales of tissue paper products and sanitary products anywhere within all Provinces and Territories of Canada and all 50 states of the United States of America.

In the event that the Corporation ceases to own any Kruger Products Shares, it will cease to be a party to and have any rights under the Non-Competition Agreement. No party may assign the Non-Competition Agreement or any benefits, rights or obligations under the agreement without the prior written consent of the other parties.

## **Material Contracts of Kruger Products**

### ***Material Debt Agreements of Kruger Products***

#### ***Kruger Products Senior Credit Agreement***

On December 21, 2022, Kruger Products, as borrowers, the lenders party thereto and National Bank of Canada, as administrative agent, entered into the eighth amended and restated credit agreement (the "Kruger Products Senior Credit Agreement") related to the revolving credit facility (the "Kruger Products Senior Credit Facility"), to reflect the Reorganization and amend other provisions of the Kruger Products Senior Credit Agreement.

The Kruger Products Senior Credit Agreement is for a five year period, maturing on May 21, 2026. The Kruger Products Senior Credit Facility is used by Kruger Products to finance general corporate purposes, the ongoing working capital requirements of the Restricted Credit Parties (as defined below) and to finance the cash portion of any permitted acquisition or any permitted investment by the Restricted Credit Parties (as defined in the Kruger Products Senior Credit Agreement). The borrowings under the Kruger Products Senior Credit Facility bear interest at a base rate of Canadian prime rate, U.S. base rate, banker's acceptance rate, SOFR (as defined in the Kruger Products Senior Credit Agreement) or the applicable benchmark replacement rate, plus a margin varying between 0.20% and 3.50% depending on the Ratio of Total Net Funded Debt to EBITDA (as defined in the Kruger Products Senior Credit Agreement) and the type of advance. Kruger Products may voluntarily cancel or reduce the Kruger Products Senior Credit Facility, in whole or in part, subject to minimum amounts and notice period, with restrictions on prepayment

of banker’s acceptances, SOFR Loans (as defined in the Kruger Products Senior Credit Agreement) and liabilities under letters of credit.

The Kruger Products Senior Credit Agreement requires the Restricted Credit Parties to comply with certain financial covenants. The financial covenants are calculated on an Adjusted Consolidated Basis (as defined in the Kruger Products Senior Credit Agreement) such that the Unrestricted Credit Parties are accounted for as investments but not consolidated. The Kruger Products Senior Credit Agreement is guaranteed by the Restricted Credit Parties. The Restricted Credit Parties provide first ranking security interests and hypothecs over their current and future tangible and intangible assets (subject to permitted liens) to secure the obligations under the Kruger Products Senior Credit Agreement including a pledge of 100% of the stock or ownership interest in all subsidiaries owned by the Restricted Credit Parties.

***Trust Indenture – Senior Unsecured Notes due April 24, 2025***

On April 24, 2018, KPLP issued \$125 million aggregate principal amount of 6.0% senior unsecured notes due April 24, 2025 (the “Senior Unsecured Notes due April 24, 2025” or the “2025 Notes”) by way of private placement in Canada in accordance with applicable Canadian prospectus and registration exemptions. The 2025 Notes were issued pursuant to a trust indenture entered into as of April 24, 2018 between KPLP, the Guarantors and Computershare Trust Company of Canada (the “2025 Indenture”). On January 1, 2023 as part of the Reorganization, KPLP, Kruger Products, Kruger Products (USA) Inc., KPREH, Kruger Products AFH L.P., Kruger Products AFH G.P. Inc. and Computershare Trust Company of Canada entered into a supplemental indenture pursuant to which Kruger Products assumed the obligations and liabilities of KPLP as principal debtor, and KPLP was released and discharged from its obligations and liability under the under the 2025 Indenture. Interest on the 2025 Notes accrues at 6.0% per year and is payable semi-annually on April 24 and October 24 of each year.

Under the 2025 Notes, “Restricted Subsidiaries” means any subsidiary of Kruger Products that is not an Unrestricted Subsidiary as defined in the 2025 Indenture (which Unrestricted Subsidiaries include, KTG, KPSI, TAD2 GP ULC, TAD2 US LP, TAD1 Canco I Inc., TAD1 GP ULC, TAD1 US LP, TAD1 Canco II Inc., 8528365 Canada Inc., KPSB and Non-Material Subsidiaries as defined in the 2025 Indenture).

The 2025 Notes are senior unsecured obligations of Kruger Products. The 2025 Notes rank senior in right of payment to all existing and future subordinated indebtedness of Kruger Products and equal in right of payment to all indebtedness of Kruger Products that is not subordinated in right of payment to the 2025 Notes other than any indebtedness that ranks senior to the 2025 Notes by operation of law. The 2025 Notes will be effectively subordinated to all existing and future secured indebtedness of the issuer, to the extent of the assets securing such indebtedness.

The 2025 are unconditionally guaranteed, jointly and severally, by all existing and future Restricted Subsidiaries (the “Guarantors”).

Kruger Products may redeem all or part of the 2025 Notes at the following redemption prices, plus accrued and unpaid interest to the applicable redemption date, if redeemed during the 12-month period commencing April 24 of the year set forth below:

<u>Year</u>	<u>Percentage</u>
2023	101.5%
2024 and thereafter	100.0%

Upon the occurrence of a Change of Control of Kruger Products (as defined in the 2025 Indenture), Kruger Products will be required to offer to repurchase all or any part of each holder’s 2025 Notes for a payment in cash equal to 101% of the aggregate principal amount of the 2025 Notes repurchased, plus accrued and unpaid interest thereon to the purchase date.

The 2025 Indenture contains certain restrictive covenants of Kruger Products, including, but not limited to, limitations on making certain restricted payments by Kruger Products or its Restricted Subsidiaries; restrictions on incurring certain indebtedness by Kruger Products or its Restricted Subsidiaries; restrictions on incurring certain liens by Kruger Products or its Restricted Subsidiaries; certain restrictions on transactions with affiliates, limitations on



engaging in any line of business other than the businesses in which Kruger Products and the Restricted Subsidiaries were engaged on the date of issuance of the 2025 Notes, and any business reasonably related, incidental, complementary or ancillary thereto; limitations on creating any contractual restrictions on the ability of Kruger Products or its Restricted Subsidiaries to take certain actions, such as the payment of dividends or making of distributions; restrictions on consolidating, amalgamating or merging into any other person; and restrictions on selling, transferring, assigning, leasing, conveying or otherwise disposing of all or substantially all of the property of Kruger Products and the Restricted Subsidiaries taken as a whole.

***Trust Indenture – Senior Unsecured Notes due April 9, 2029***

On April 8, 2021, KPLP issued \$135 million aggregate principal amount of 5.375% senior unsecured notes due April 9, 2029 (the “Senior Unsecured Notes due April 9, 2029” or the “2029 Notes”) by way of private placement in Canada in accordance with applicable Canadian prospectus and registration exemptions. The 2029 Notes were issued pursuant to a trust indenture entered into as of April 8, 2021 between Kruger Products, the Guarantors and Computershare Trust Company of Canada (the “2029 Indenture”). On January 1, 2023 as part of the Reorganization, KPLP, Kruger Products, Kruger Products (USA) Inc., KPREH, Kruger Products AFH L.P., Kruger Products AFH G.P. Inc. and Computershare Trust Company of Canada entered into a supplemental indenture pursuant to which Kruger Products assumed the obligations and liabilities of KPLP as principal debtor, and KPLP was released and discharged from its obligations and liability under the under the 2029 Indenture. Interest on the 2029 Notes accrues at 5.375% per year and is payable semi-annually on April 9 and October 9 of each year.

Under the 2029 Notes, “Restricted Subsidiaries” means any subsidiary of Kruger Products that is not an Unrestricted Subsidiary as defined in the 2029 Indenture (which Unrestricted Subsidiaries include, KTG, KPSI, TAD2 GP ULC, TAD2 US LP, TAD1 Canco I Inc., TAD1 GP ULC, TAD1 US LP, TAD1 Canco II Inc., 8528365 Canada Inc., KPSB and Non-Material Subsidiaries as defined in the 2029 Indenture).

The 2029 Notes are senior unsecured obligations of Kruger Products. The 2029 Notes rank senior in right of payment to all existing and future subordinated indebtedness of Kruger Products and equal in right of payment to all indebtedness of Kruger Products that is not subordinated in right of payment to the 2029 Notes other than any indebtedness that ranks senior to the 2029 Notes by operation of law. The 2029 Notes will be effectively subordinated to all existing and future secured indebtedness of Kruger Products, to the extent of the assets securing such indebtedness.

The 2029 Notes are unconditionally guaranteed, jointly and severally, by all existing and future Restricted Subsidiaries (the “Guarantors”). The guarantees are senior unsecured obligations of each of the Guarantors and will rank senior in right of payment to all existing and future subordinated indebtedness.

At any time prior to April 9, 2024, Kruger Products may redeem up to 40.0% of the aggregate principal amount of the 2029 Notes at a redemption price of 105.375% of the principal amount of the 2029 Notes to be redeemed, plus accrued and unpaid interest to the date of redemption, with the net proceeds received by Kruger Products from certain equity offerings after the issue date.

At any time prior to April 9, 2024, Kruger Products may redeem the 2029 Notes, at a redemption price equal to the greater of (a) the Applicable Premium (as defined in the 2029 Indenture) and (b) 101% of the aggregate principal amount of the 2029 Notes redeemed, plus, in each case, accrued and unpaid interest, if any, to the applicable redemption date.

On or after April 9, 2024, Kruger Products may redeem all or part of the 2029 Notes at the following redemption prices, plus accrued and unpaid interest to the applicable redemption date, if redeemed during the 12-month period commencing April 9 of the year set forth below:

<u>Year</u>	<u>Percentage</u>
2024	102.688%
2025	101.344%
2026 and thereafter	100.0%

Upon the occurrence of a Change of Control of Kruger Products (as defined in the 2029 Indenture), Kruger Products will be required to offer to repurchase all or any part of each holder's 2029 Notes for a payment in cash equal to 101% of the aggregate principal amount of the 2029 Notes repurchased, plus accrued and unpaid interest thereon to the purchase date.

The 2029 Indenture contains certain restrictive covenants of Kruger Products, including, but not limited to, limitations on making certain restricted payments by Kruger Products or its Restricted Subsidiaries, restrictions on incurring certain indebtedness by Kruger Products or its Restricted Subsidiaries, restrictions on incurring certain liens by Kruger Products or its Restricted Subsidiaries, certain restrictions on transactions with affiliates, limitations on engaging in any line of business other than the businesses in which Kruger Products and the Restricted Subsidiaries were engaged on the date of issuance of the 2029 Notes, and any business reasonably related, incidental, complementary or ancillary thereto, limitations on creating any contractual restrictions on the ability of Kruger Products or its Restricted Subsidiaries to take certain actions, such as the payment of dividends or making of distributions, restrictions on consolidating, amalgamating or merging into any other person and restrictions on selling, transferring, assigning, leasing, conveying or otherwise disposing of all or substantially all of the property of Kruger Products and the Restricted Subsidiaries taken as a whole.

### ***AgCredit Agreement***

Subsidiaries of Kruger Products are party to a credit agreement dated November 19, 2018 entered into by, among others, KTG, TAD1 US LP, TAD2 US LP and KPSI, as borrowers, each guarantor from time to time party thereto, as guarantors, each lender from time to time party thereto, as lenders, American AgCredit, FLCA, as administrative agent and National Bank of Canada, as Canadian administrative agent (as amended on April 20, 2020, March 19, 2021, November 19, 2021, March 30, 2022, September 15, 2022 and December 8, 2022 (effective January 1, 2023) (the "AgCredit Agreement").

Pursuant to the AgCredit Agreement, the following credit facilities were made available (collectively, the "AgCredit Facilities"):

- (i) a term loan facility repayable by March 31, 2037 related to amounts drawn on or after March 23, 2020 by quarterly principal instalment payments commencing on June 30, 2026 bearing interest at a fixed rate based on the farm credit system cost of funds plus an applicable margin set at the time of each tranche draw (the "Term B Credit Facility");
- (ii) a term loan facility repayable by March 30, 2032 by quarterly principal instalment payments commencing on June 30, 2026 and bearing interest at a 6.07% maximum fixed interest rate (the "Term D Credit Facility");
- (iii) Revolving loans with a maturity date of December 31, 2026 with floating interest rates based on U.S. base rate, Canadian prime rate or CDOR (or the applicable replacement rate) plus an applicable margin and a renewal option; and
- (iv) a term loan repayable by December 31, 2036 by quarterly principal instalment payments commencing on June 30, 2022 and bearing interest at a 4.82% fixed interest rate effective November 19, 2021 (repriced from the 7.3% fixed interest rate set at the initial closing date) and repayable after a three-year lock-out period (the "Term A Credit Facility" or the "KTG Facility").

The facilities detailed in items (i) to (iii) above are collectively the "TAD Sherbrooke Project Facility". The purpose of the TAD Sherbrooke Project Facility was to partially finance the TAD Sherbrooke Project. On November 1, 2021, the borrowers executed the final draws on the TAD Sherbrooke Project Facility, in connection with the financing of the TAD Sherbrooke Project. The purpose of the KTG Facility was to repay existing indebtedness of KTG and TAD Canco Inc.

The AgCredit Facilities are each guaranteed by the borrowers and guarantors. The borrowers and guarantors (as such terms are defined in the AgCredit Agreement) granted first ranking security interests over all of their assets, present and future, movable and immovable, corporeal and incorporeal, to secure the obligations under the AgCredit Agreement. The AgCredit Facilities are both non-recourse to Kruger Products.

The AgCredit Agreement requires the borrowers to comply with certain financial covenants. The financial covenants are calculated on a Combined Basis (as defined in the AgCredit Agreement). Kruger Products has the option under its credit facilities to fund the respective borrowing entities to provide liquidity or achieve compliance with covenant ratios.

### ***KPSI IQ Debenture***

On November 19, 2019, KPSI issued a 10-year convertible debenture dated November 19, 2018, in favour of IQ, (the “KPSI IQ Debenture”), bearing interest at a fixed capitalized interest rate of 3.0% per annum. The purpose of the debenture was to partially finance the TAD Sherbrooke Project.

The KPSI IQ Debenture is redeemable on a monthly basis commencing 36 months from the date of issuance, which payments KPSI undertakes to cause Kruger Products or Kruger Inc. to make, failing which IQ will have a conversion right on terms of conversion that would provide IQ with a 50% equity interest in KPSI if the entirety of the debenture was so converted.

Pursuant to a repayment agreement (as amended effective as of January 1, 2023 to reflect the Reorganization, the “KPSI Repayment Agreement”) between Kruger Inc., Kruger Products, KPSI and IQ, Kruger Products has at its discretion, a priority right to make any required monthly redemption payment to IQ. The party that makes the redemption payment will receive common shares of KPSI as consideration of such payment.

### ***Nordea2 Credit Agreement***

On December 21, 2022, KPLP and Kruger Products, as borrowers, entered into the amended and restated credit agreement between Kruger Products, as borrower, Nordea Bank Abp Filial I Sverige, as administrative agent, and Ab Svensk Exportkredit (Publ), as lender (the “Nordea2 Credit Agreement”) to, among other things, reflect the Reorganization. On January 1, 2023, the terms of the Nordea2 Credit Agreement were amended to reflect the Reorganization. The Nordea2 Credit Facility was used to partially finance the TAD Sherbrooke Project and the fees of the Swedish Export Credits Guarantee Board (EKN) in connection with its guarantee of the Nordea2 Credit Facility.

The Nordea2 Credit Facility is repayable in 17 equal consecutive semi-annual installments of principal together with interest commencing on August 28, 2021 and matures on August 31, 2029. Prepayments are allowed subject to a make-whole payment on account of interest losses. Borrowings under the Nordea2 Credit Facility bear interest at a fixed interest rate of 3.74% per annum, comprised of a Swedish state reported interest rate, risk premium and administrative margin. The covenants, financial covenants and negative covenants provided by Kruger Products under the Kruger Products Senior Credit Agreement are incorporated and made part of the Nordea2 Credit Agreement. See “Kruger Products Senior Credit Agreement — Covenants” above. The Nordea2 Credit Agreement contains restrictions on amendments to the Kruger Products Senior Credit Agreement and related security and other documents.

### ***Quebec PM Loan Agreement***

Kruger Products is a party to a loan agreement dated August 9, 2016, entered into by Kruger Products, as borrower, and IQ, as lender (as amended on December 21, 2022 (effective January 1, 2023) to reflect the Reorganization, the “Quebec PM Loan Agreement”), pursuant to which a secured non-revolving loan (the “Quebec PM Loan”) is made available to Kruger Products. The purpose of the Quebec PM is to partially finance the acquisition and relocation of a paper machine to be installed at the Crabtree facility. The Quebec PM Loan Agreement matures ten years after the first loan disbursement, which occurred on September 6, 2016.

Borrowings under the Quebec PM Loan bear interest at a fixed interest rate of 2.5% per annum for a period of seven years from the date of the first loan disbursement. The interest rate thereafter increases to a fixed rate of 3.5% per annum until the eighth anniversary of the first loan disbursement, a fixed rate of 4.5% per annum until the ninth anniversary of the first loan disbursement, and a fixed rate of 5.5% per annum thereafter. Monthly interest payments commence the month following the first loan disbursement.

The Quebec PM Loan had a moratorium on repayment of the principal for the initial 24 months following the date of the first loan disbursement, after which the principal is to be repaid in 96 monthly consecutive payments.

The monthly repayments are reduced, in the reverse order of maturity, by repayments to IQ corresponding to Kruger Products' receipt of Government of Quebec electricity tariff rebates.

### ***IQ Bathroom Tissue Credit Agreement***

KPSI is party to a Loan agreement dated May 21, 2021, entered into by KPSI, as borrower, and IQ, as lender (as amended on December 16, 2021, December 21, 2022 (effective January 1, 2023) to reflect the Reorganization and October 20, 2023 to implement the Additional Sherbrooke Expansion Project Financing, (the "IQ Bathroom Tissue Credit Agreement") pursuant to which a secured non-revolving subordinated loan (the "IQ Bathroom Tissue Loan") is made available to KPSI. The purpose of the loan made available thereunder is to finance the implementation of a bathroom tissue converting line in the existing Sherbrooke TAD facility, as part of the Sherbrooke Expansion Project.

The IQ Bathroom Tissue Loan matures ten years from the earlier of (i) the date on which commercial operation of the BT Line begins (the "BT Line Commissioning Date") or (ii) November 1, 2022. Borrowings under the IQ Bathroom Tissue Loan bear interest at a fixed interest rate of 2.0% per annum, calculated monthly, starting on the disbursement date of each payment in respect of the amount disbursed. The IQ Bathroom Tissue Loan has a moratorium on repayment of the principal, ending no later than 36 months from the earlier of (i) the BT Line Commissioning Date or (ii) November 1, 2022, after which the principal is to be repaid in 84 equal monthly consecutive payments. KPSI may prepay all or part of the IQ Bathroom Tissue Loan at any time and without penalty.

Kruger Products has guaranteed, jointly and severally, to a maximum of \$90 million: (i) KPSI's IQ Bathroom Tissue Loan, (ii) KPSB's IQ Facial Tissue Loan and (iii) the KPSB IQ Debenture.

### ***KPSB IQ Debenture***

On May 21, 2021, KPSB issued a 10-year convertible debenture in favour of IQ (as amended on December 21, 2022 (effective January 1, 2023) to reflect the Reorganization and October 20, 2023 to implement the Additional Sherbrooke Expansion Project Financing), bearing interest at a fixed capitalized interest rate of 2.0% per annum (the "KPSB IQ Debenture"). The purpose of the KPSB IQ Debenture is to partially finance the implementation of the LDC Machine in a new facility adjacent to the Sherbrooke TAD facility, as part of the Sherbrooke Expansion Project. The KPSB IQ Debenture matures ten years from the earlier of: (i) the date on which commercial operation of the LDC Machine begins (the "LDC Machine Commissioning Date") or (ii) September 1, 2024.

The KPSB IQ Debenture is redeemable on a monthly basis (proportionately based on the number of months remaining until maturity) commencing 24 months following the earlier of: (i) the LDC Machine Commissioning Date; or (ii) September 1, 2024, which payments KPSB undertakes to cause Kruger Products to make. Pursuant to a repayment agreement entered into by Kruger Products, KPSB and IQ on May 21, 2021 (as amended effective as of January 1, 2023 to reflect the Reorganization), Kruger Products agreed to make the required monthly redemption payments to IQ.

Kruger Products has guaranteed, jointly and severally, to a maximum of \$90 million: (i) KPSI's IQ Bathroom Tissue Loan, (ii) KPSB's IQ Facial Tissue Loan and (iii) the KPSB IQ Debenture.

### ***IQ Facial Tissue Credit Agreement***

KPSB is party to a loan agreement dated May 21, 2021 entered into by KPSB, as borrower, and IQ, as lender, (as amended on December 16, 2021, December 21, 2022 (effective January 1, 2023) to reflect the Reorganization and October 20, 2023 to implement the Additional Sherbrooke Expansion Project Financing (the "IQ Facial Tissue Credit Agreement") pursuant to which a secured non-revolving subordinated loan (the "IQ Facial Tissue Loan") is made available to KPSB. The purpose of the loan made available thereunder is to finance the implementation of a facial tissue converting line (the "FT Line") in a new facility adjacent to the Sherbrooke TAD facility, as part of the Sherbrooke Expansion Project.

The IQ Facial Tissue Loan matures ten years from the earlier of (i) the date on which commercial operation of the FT Line begins, or (ii) July 1, 2023. Borrowings under the IQ Facial Tissue Loan bear interest at a fixed interest

rate of 2.0% per annum, calculated monthly, starting on the disbursement date of each payment in respect of the amount disbursed.

Kruger Products has guaranteed, jointly and severally, to a maximum of \$90 million: (i) KPSI's IQ Bathroom Tissue Loan, (ii) KPSB's IQ Facial Tissue Loan and (iii) the KPSB IQ Debenture.

#### ***KPSB Senior Credit Agreement***

KPSB is party to a credit agreement dated May 21, 2021 (as amended on December 17, 2021, December 21, 2022 (effective January 1, 2023) to reflect the Reorganization, June 5, 2023 and November 9, 2023, the "KPSB Senior Credit Agreement") related to credit facilities made available to KPSB consisting of a construction loan (the "KPSB Construction Facility") and a revolving loan (the "KPSB Revolving Facility"). The purpose of the KPSB Construction Facility is to partially finance the implementation of the LDC Machine in a new facility adjacent to the Sherbrooke TAD facility, as part of the Sherbrooke Expansion Project, subject to KPSB having first used the full amount of the KPSB IQ Debenture. The purpose of the KPSB Revolving Facility is to finance general corporate purposes, the ongoing working capital requirements of KPSB and to finance the implementation of the LDC Machine in a new facility adjacent to the Sherbrooke TAD facility, as part of the Sherbrooke Expansion Project.

Borrowings under the KPSB Construction Facility bear interest at a base rate of Canadian prime rate, US base rate, LIBOR or the applicable benchmark replacement rate, or banker's acceptance stamping fees (plus a margin varying between 1.50% and 3.25% depending on the Total Leverage Ratio (as defined in the KPSB Senior Credit Agreement) and the type of advance. Borrowings under the KPSB Revolving Facility bear interest at a base rate of Canadian prime rate or US base rate or letter of credit fees, depending on the type of advance.

The KPSB Construction Facility is available for multiple draws on a non-revolving basis, until the achievement of Term Conversion (as defined in the KPSB Senior Credit Agreement), which occurs on the earlier of (i) substantial completion of the LDC Machine installation or (ii) December 31, 2025, and subject to satisfaction of certain conditions set out in the KPSB Senior Credit Agreement. After the achievement of Term Conversion, the principal is to be repaid in quarterly instalments equal to 1.875% of the aggregate principal amount of the outstanding KPSB Construction Facility, plus once-annual prepayments in the amount equal to 50% of KPSB's annual Excess Cash Flow (as defined in the KPSB Senior Credit Agreement) calculated and paid within 120 days at the end of each fiscal year of KPSB. The KPSB Senior Credit Agreement requires KPSB to comply with certain financial covenants.

#### ***Contribution Undertaking Agreement***

Kruger Products entered into a contribution undertaking agreement with KBLP, a subsidiary of Kruger Inc., dated as of May 21, 2021 (as amended effective as of January 1, 2023 to reflect the Reorganization, the "Kruger Products Contribution Undertaking Agreement") pursuant to which Kruger Products will be required to make payments to KBLP over a period of ten years (the "Contribution"). Kruger Products has agreed to pay the Contribution in exchange for access to shared infrastructure and services, the transfer of properties to complete the Sherbrooke Expansion Project and KBLP's facilitation of the capital and financing structure for the Sherbrooke Expansion Project.

The Contribution will be payable by Kruger Products in ten annual equal and consecutive payments of \$5.8 million each, the first payment being payable by Kruger Products on May 21, 2023 and subsequent payments being payable by Kruger Products on May 21 of each year thereafter until May 21, 2032. Notwithstanding the foregoing, the first payment of the Contribution will be reduced by an amount equal to the purchase price payable by KPSB to KBLP for the sale of immovable property under the deed of sale dated May 21, 2021..

#### ***Other Material Agreements of Kruger Products***

Contribution undertaking agreement dated as of May 21, 2021 (as amended December 21, 2022 (effective January 1, 2023) to reflect the Reorganization (the "Kruger Products Contribution Undertaking Agreement"), between Kruger Products and KBLP, pursuant to which Kruger Products is required to make payments to KBLP (the "Contribution").

Certain material provisions of the Scotties License are summarized under “The Business of Kruger Products — Intellectual Property”.

Certain material terms of each of the Shareholders’ Agreement, the Administration Agreement, the Exchange Agreement and the Non-Competition Agreement are summarized under “Material Contracts – Material Contracts of the Corporation”. Certain material terms of the Management Services Agreement, the Kruger Trademark License and the Master Supply Agreement are summarized under “The Business of Kruger Products – Commercial Relationship between Kruger and Kruger Products”.

## DIVIDEND POLICY

### Kruger Products Dividend Policy

The Kruger Products Board has adopted a dividend policy which consists of an annual dividend of \$0.72 per Kruger Products Share (approximately \$50 million in the aggregate) to be paid on a quarterly basis (\$0.18 per Kruger Products Share) on the 15th day (or, if such day is not a business day, the immediately following business day) of January, April, July and October in each year, subject to applicable corporate law (including the required satisfaction of the solvency and liquidity tests imposed by the *Canada Business Corporations Act*). There is no assurance that Kruger Products will declare any such dividend or maintain such dividend policy in the future and such dividends will depend, among other things, on Kruger Products’ cash and capital requirements and surplus, financial condition and contractual obligations and restrictions. See “Risk Factors — Risks Related to the Corporation”.

#### *Dividends and Reinvestments*

The dividends paid, the additional common shares issued at the share price, and the gross proceeds were as follows (tabular amounts are in thousands of Canadian dollars, except share amounts):

	<b>2023</b>			
	<b>Dividends</b>	<b>Share price</b>	<b>Issuance of Common shares</b>	<b>Gross proceeds</b>
<b>Dividend Payment Date</b>	<b>\$</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
January 16, 2023	12,866	10.18	1,092,623	11,123
April 17, 2023	13,063	10.25	1,102,616	11,302
July 17, 2023	13,261	10.30	1,118,559	11,521
October 16, 2023	13,463	9.93	1,180,169	11,719
	<u>52,653</u>		<u>4,493,967</u>	<u>45,665</u>

### Distributions and Reinvestments

Prior to the Reorganization, KPLP maintained a distribution policy equivalent to the Kruger Products dividend policy described above. In connection with those past distributions, the KPLP unit distributions paid, the portion of the distribution reinvested by the partners, the additional KPLP Shares issued at the Share price, and the gross proceeds were as follows (tabular amounts are in thousands of Canadian dollars, except unit amounts):

	<b>2022</b>			
	<b>Partnership unit distributions</b>	<b>Unit price</b>	<b>Issuance of Partnership units</b>	<b>Gross proceeds</b>
<b>Distribution Payment Date</b>	<b>\$</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
January 17, 2022	12,300	10.50	536,871	5,637
April 15, 2022	12,397	10.81	495,022	5,351
July 15, 2022	12,486	10.26	1,046,982	10,743
October 17, 2022	12,674	10.26	1,066,619	10,943
	49,857		3,145,494	32,674
	49,857		3,145,494	32,674

	<b>2021</b>			
	<b>Partnership unit distributions</b>	<b>Unit price</b>	<b>Issuance of Partnership units</b>	<b>Gross proceeds</b>
<b>Distribution Payment Date</b>	<b>\$</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
January 15, 2021	11,919	10.70	507,826	5,434
April 15, 2021	12,010	10.47	528,465	5,533
July 15, 2021	12,106	10.32	536,167	5,533
October 15, 2021	12,202	10.26	544,438	5,586
	48,237		2,116,896	22,086
	48,237		2,116,896	22,086

On January 15, 2024, Kruger Products paid dividends of \$13.7 million to the shareholders. Pursuant to Kruger Products' Dividend Reinvestment Plan ("DRIP"), a portion of the dividends was reinvested by the shareholders, resulting in Kruger Products issuing 1,326,190 common shares at a price of \$8.99.

### Corporation Dividend Policy

Dividends on the Common Shares of the Corporation will be at the discretion of the Corporation Board. It is the intention of the Corporation that all dividends received from Kruger Products be distributed to shareholders on an on-going basis, subject to applicable corporate law (including the required satisfaction of the solvency and liquidity tests imposed by the *Canada Business Corporations Act*). There can be no guarantee that this policy will remain in effect. If this dividend policy is maintained, and if the Corporation receives a regular annual dividend from Kruger Products on a quarterly basis in accordance with the Kruger Products dividend policy described above, it will pay a corresponding dividend in an amount of \$0.72 per Common Share per annum to be paid on a quarterly basis (\$0.18 per Common Share) on the 15th day (or, if such day is not a business day, the immediately following business day) of January, April, July and October in each year.

### Dividends and Reinvestments

The dividends paid, the additional common shares issued at the share price, and the gross proceeds were as follows (tabular amounts are in thousands of Canadian dollars, except share amounts):

<b>2023</b>				
<b>Dividend Payment Date</b>	<b>Dividends paid</b>	<b>Share price</b>	<b>Issuance of Common shares</b>	<b>Gross proceeds</b>
	<b>\$</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
January 16, 2023	1,790	10.18	4,682	48
April 17, 2023	1,791	10.25	3,000	30
July 17, 2023	1,791	10.30	5,064	53
October 16, 2023	1,793	9.93	5,000	50
	7,165		17,746	181
<b>2022</b>				
<b>Dividend Payment Date</b>	<b>Dividends paid</b>	<b>Share price</b>	<b>Issuance of Common shares</b>	<b>Gross proceeds</b>
	<b>\$</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
January 17, 2022	1,781	10.50	36,007	378
April 15, 2022	1,788	10.81	4,351	47
July 15, 2022	1,788	10.26	4,426	46
October 17, 2022	1,789	10.26	5,773	58
	7,146		50,557	529
<b>2021</b>				
<b>Dividend Payment Date</b>	<b>Dividends paid</b>	<b>Share price</b>	<b>Issuance of Common shares</b>	<b>Gross proceeds</b>
	<b>\$</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
January 15, 2021	1,755	10.70	32,921	352
April 15, 2021	1,761	10.47	39,046	409
July 15, 2021	1,768	10.32	35,366	365
October 15, 2021	1,775	10.26	36,315	373
	7,059		143,648	1,499

On January 15, 2024, the Corporation paid a dividend of \$1.8 million to shareholders at \$0.18 per common share. Pursuant to the Corporation DRIP, a portion of the dividend was reinvested by the shareholders, resulting in the Corporation issuing 4,615 common shares at a price of \$8.99.

### Dividend Reinvestment Plan of Kruger Products

Pursuant to the Shareholders' Agreement, shareholders are permitted to elect to receive dividends of Kruger Products payable to them in additional Kruger Products Shares at a price per Kruger Products Share equal to 100% of the 5-day weighted average trading price of the Common Shares prior to the date of payment of the distribution (the "Kruger Products DRIP"). Pursuant to the Shareholders' Agreement, the Corporation is only permitted to participate in the Kruger Products DRIP to the extent required to accommodate participation by holders of Common Shares in the Corporation DRIP, such that the number of Kruger Products Shares issued to the Corporation from time to time



pursuant to the Kruger Products DRIP is equivalent to the number of Common Shares issued from time to time pursuant to the Corporation DRIP. Kruger has indicated that it intends to participate in the Kruger Products DRIP with respect to the distributions payable to it on a significant portion of the Kruger Products Shares that it beneficially owns from time to time.

### **Dividend Reinvestment Plan of the Corporation**

The Corporation has adopted a dividend reinvestment plan (the “Corporation DRIP”), which permits shareholders that elect to participate in the Corporation DRIP to automatically reinvest all cash dividends in additional Common Shares at a price per Common Share equal to 100% of the 5-day weighted average trading price of the Common Shares prior to the date of payment of the dividend. The Corporation intends to participate in the Kruger Products DRIP with respect to distributions payable to it for a number of Kruger Products Shares equal to the number of Common Shares issued under the Corporation DRIP. No brokerage commission will be payable in connection with the issuance or purchase of Common Shares under the Corporation DRIP and all administrative costs will be borne by Kruger Products. Only Canadian shareholders are eligible to participate in the Corporation DRIP. Participation in the Corporation DRIP will be subject to compliance by participants with applicable securities laws and Common Shares acquired under the Corporation DRIP may be subject, in certain circumstances, to resale restrictions, based upon, among other things, a participant’s jurisdiction of residence and shareholdings.

## **DESCRIPTION OF CAPITAL STRUCTURE**

The Corporation’s authorized share capital consists of an unlimited number of Common Shares. There are currently 9,968,337 Common Shares issued and outstanding. Pursuant to the Exchange Agreement, Kruger has the right to exchange Kruger Products Shares it holds from time to time for Common Shares on the basis of one Kruger Products Share for one Common Share, subject to adjustment as set out in the Exchange Agreement. If Kruger were to exchange all Kruger Products Shares held by it as of March 7, 2024 for Common Shares, it would hold approximately 87.1% of the issued and outstanding Common Shares.

### **Description of the Common Shares**

The holders of Common Shares are entitled to receive notice of and to attend all annual and special meetings of shareholders and to one vote in respect of each Common Share held at all such meetings, except at separate meetings of or on separate votes by the holders of another class or series of shares. The holders of the Common Shares are entitled, at the discretion of the Corporation Board, to receive out of any or all of the Corporation’s profits or surplus properly available for the payment of dividends (after the payment of any dividends payable on our securities entitled to receive dividends in priority to the Common Shares), any dividend declared by the Corporation Board and payable by the Corporation on the Common Shares. The holders of the Common Shares will participate rateably in any distribution of the Corporation’s assets upon liquidation, dissolution or winding-up of the Corporation or other distribution of the Corporation’s assets among its shareholders for the purpose of winding up the Corporation’s affairs. Such participation will be subject to the rights, privileges, restrictions and conditions attached to any of the Corporation’s securities issued and outstanding at such time ranking in priority to the Common Shares upon the Corporation’s liquidation, dissolution or winding-up.

## MARKET FOR SECURITIES

The Common Shares are listed for trading on the TSX under the symbol “KPT”. The following table shows the monthly range of high and low prices per Common Share at the close of market (“TSX”), as well as total monthly volumes and average daily volumes of the Common Shares traded on the TSX for 2023:

<b>Month</b>	<b>Price per Common Share (\$) Monthly High</b>	<b>Price per Common Share (\$) Monthly Low</b>	<b>Common Shares Total Monthly Volume</b>	<b>Common Shares Average Daily Volume</b>
January	10.29	10.06	217,859	16,944
February	10.44	10.08	280,377	12,327
March	10.40	10.13	202,694	22,355
April	10.37	10.09	162,718	11,884
May	10.48	10.11	199,558	12,125
June	10.50	10.21	163,781	12,435
July	10.84	10.18	247,388	10,149
August	10.66	9.88	518,882	23,527
September	10.48	9.85	317,499	11,094
October	10.17	9.23	276,558	6,898
November	9.87	9.12	249,888	16,755
December	9.50	8.89	1,096,509	11,150

## DIRECTORS AND OFFICERS

The following table sets out, for each of the Corporation’s directors and executive officers as of March 7, 2024, the person’s name, province and country of residence, positions and offices held with the Corporation, principal occupation during the five preceding years and, if a director, the period during which the person served as a director and whether or not such person sits on a committee of the Corporation Board. The Corporation’s directors are elected annually and, unless re-elected, retire from office at the end of the next annual general meeting of shareholders. The Corporation’s directors and executive officers beneficially own, or control or direct, directly or indirectly, approximately 27,306 Common Shares.

<u>Name and Province or State and Country of Residence</u>	<u>Position(s) / Title</u>	<u>Director Since</u>	<u>Principal Occupation For Past 5 Years</u>
Francois Vimard <sup>(1)(2)</sup> ..... Ontario, Canada	Director (Chair)	2020	Independent Corporate Director, Interim President and CEO of Empire Company Limited & Sobeys Inc. (July 2016 to December 2016); Chief Financial Officer at Empire Company Limited & Sobeys Inc. (June 2007 to June 2016)
James Hardy <sup>(1)(2)</sup> ..... Ontario, Canada	Director	2014	Corporate Director (December 2021 – present); Chief Corporate Development Officer and CFO, Revera Inc. Seniors Housing and Care (July 2020 – December 2021); Chief Investment Officer and CFO, Revera Inc. (April 2015 – June 2020)
Sarah Kruger <sup>(3)</sup> ..... Québec, Canada	Director	2024	Vice President of Kruger (February 2023 – present); Board Member of Kruger (2008-present)
John (‘Jay’) Wright <sup>(1)(2)</sup> ..... Ontario, Canada	Director	2023	Independent Corporate Director, President & CEO at Arterra Wines Canada (December 2016 – March 2022)
Dino Bianco..... Ontario, Canada	Chief Executive Officer	N/A	Chief Executive Officer of Kruger Products (March 2018 – present); Board Director of Food Health & Consumer Products of Canada ‘FHCP’ (February 2018 – present); Board Director of Welbilt Foodservice (March 2016 – July 2022) and Andrew Peller Ltd. (September 2016 - January 2018)
Mark Holbrook <sup>(4)</sup> ..... Ontario, Canada	Chief Financial Officer	N/A	Chief Financial Officer of Kruger Products (October 2012 – present)

<u>Name and Province or State and Country of Residence</u>	<u>Position(s) / Title</u>	<u>Director Since</u>	<u>Principal Occupation For Past 5 Years</u>
François Paroyan ..... Ontario, Canada	General Counsel and Corporate Secretary	N/A	SVP General Counsel and Corporate Affairs and Corporate Secretary of Kruger Products (October 2018 – present); General Counsel and Corporate Secretary of Kruger Products (July 2015 – October 2018); Corporate Vice President of Human Resources (January 2016 – October 2018)

- (1) Member of the Corporation Audit Committee.
- (2) Member of the Corporation Nominating and Governance Committee.
- (3) Sarah Kruger was appointed to the Board of KP Tissue Inc. effective March 7, 2024.
- (4) As announced, Mark Holbrook will resign as Chief Financial Officer effective end of day March 10, 2024.

The Corporation has appointed Dino Bianco as Chief Executive Officer, Mark Holbrook as Chief Financial Officer and François Paroyan as General Counsel and Corporate Secretary of the Corporation. None of them has an employment contract or relationship of employment with the Corporation and they receive no remuneration for such functions. Their respective principal occupation is Chief Executive Officer, Chief Financial Officer and SVP General Counsel and Corporate Affairs, and Corporate Secretary of Kruger Products. In addition, most of the functions normally carried out by a corporation’s officers, including the Chief Executive Officer, the Chief Financial Officer and Secretary, is in fact carried out for the Corporation by Kruger Products under the Administration Agreement (as defined herein). See “Material Contracts — Material Contracts of the Corporation — Administration Agreement”.

Each of the directors and executive officers of the Corporation is also a director or an officer of Kruger Products. Each of their respective biographies is set out under “Directors and Executive Officers of Kruger Products — Biographies”, below.

### **Directors and Executive Officers of Kruger Products**

The following table sets out, for each of Kruger Products’ directors and executive officers as of March 7, 2024, the person’s name, province and country of residence, positions and offices held with Kruger Products, principal occupation during the five preceding years and, if a director, the period during which the person served as a director and whether or not such person sits on a committee of the Kruger Products Board. Kruger Products’ directors are elected annually and, unless re-elected, retire from office at the end of the next annual meeting of partners. Kruger Products’ directors and executive officers beneficially own, or control or direct, directly or indirectly, approximately 90,615 Common Shares. In addition, Joseph Kruger II indirectly controls Kruger Inc. which has the right pursuant to the Exchange Agreement to exchange each of its 67,326,909 Kruger Products Shares for Common Shares on a one for one basis, subject to adjustment. See “Material Contracts — Material Contracts of the Corporation — Exchange Agreement”.

<u>Name and Province or State and Country of Residence</u>	<u>Position(s) / Title</u>	<u>Director Since<sup>(1)</sup></u>	<u>Principal Occupation For Past 5 Years</u>
Joseph Kruger II <sup>(2)</sup> ..... Québec, Canada	Director	2012	Chair and Chief Executive Officer of Kruger (1988 – present)
David Angel <sup>(2)</sup> ..... Québec, Canada	Director	2014	Vice Chairman of the Board, Executive Vice President and Chief Financial Officer of Kruger (January 2024 – present); Executive Vice President and Chief Financial Officer of Kruger (February 2013 – January 2024)
Dino Bianco ..... Ontario, Canada	Director Chief Executive Officer	2018	Chief Executive Officer of Kruger Products (March 2018 – present); Board Director of Food Health & Consumer Products of Canada ‘FHCP’ (February 2018 – present); Board Director of Welbilt Foodservice (March 2016 – July 2022) and Andrew Peller Ltd. (September 2016 - January 2018)
James Hardy <sup>(3)(4)</sup> ..... Ontario, Canada	Director	2014	Corporate Director (December 2021 – present); Chief Corporate Development Officer and CFO, Revera Inc. Seniors Housing and Care (July 2020 – December 2021); Chief Investment Officer and CFO, Revera Inc. (April 2015 – June 2020)
Gene Kruger <sup>(3)</sup> ..... Québec, Canada	Director	2018	Vice President, Business Development of Kruger (February 2015 – present)
Sarah Kruger ..... Québec, Canada	Director	2020	Vice President of Kruger (February 2023 – present); Board Member of Kruger (2008-present)
David Spraley..... North Carolina, USA	Director (Chair)	2012	Executive Vice President (January 2024 – present) of Kruger; Executive Vice President and Vice Chairman of Kruger (October 2021 – January 2024); Executive Vice President and Chief Operating Officer of Kruger (April 2012 – October 2021)
Francois Vimard <sup>(3)(4)</sup> ..... Ontario, Canada	Director	2020	Independent Corporate Director, Interim President and CEO of Empire Company Limited & Sobeys Inc. (July 2016 to December 2016); Chief Financial Officer at Empire Company

<u>Name and Province or State and Country of Residence</u>	<u>Position(s) / Title</u>	<u>Director Since<sup>(1)</sup></u>	<u>Principal Occupation For Past 5 Years</u>
			Limited & Sobeys Inc. (June 2007 to June 2016)
John ('Jay') Wright <sup>(2)(4)</sup> ..... Ontario, Canada	Director	2023	Independent Corporate Director, President & CEO at Arterra Wines Canada (December 2016 -March 2022)
Mina Fior..... Ontario, Canada	SVP Human Resources	N/A	SVP Human Resources (October 2018 – present); VP Human Resources Aramark Canada (2016 -2018)
Gordon Goss ..... Florida, USA	SVP and GM Consumer Business USA and Mexico	N/A	SVP and GM Consumer Business USA and Mexico (May 2018 – present); Corporate Vice President, Consumer Business USA and Mexico of Kruger Products (February 2011 – May 2018)
Mark Holbrook <sup>(5)</sup> ..... Ontario, Canada	Chief Financial Officer	N/A	Chief Financial Officer of Kruger Products (October 2012 – present)
Susan Irving ..... Ontario, Canada	Chief Marketing Officer	N/A	Chief Marketing Officer of Kruger Products (March 2020 – present); Sr. Director & CMO Quaker Nutrition Team at PepsiCo Canada (May 2018 – February 2020); Sr. Director of Marketing, Global Snacks Group at PepsiCo Global Groups (May 2016 – May 2018)
Robert Martin..... Tennessee, USA	SVP Operations	N/A	SVP Operations of Kruger Products (October 2022 – present)
Michel Manseau ..... Ontario, Canada	SVP and GM Consumer Business Canada	N/A	SVP and GM Consumer Business Canada (May 2018 – present); Corporate Vice President, Consumer Sales Canada of Kruger Products (May 2007 – May 2018)
John O'Hara..... Ontario, Canada	SVP and GM AFH Business	N/A	SVP and GM AFH Business (May 1, 2019 – present); Corporate Vice President, Business Logistics of Kruger Products (November 2009 – August 2019)

<u>Name and Province or State and Country of Residence</u>	<u>Position(s) / Title</u>	<u>Director Since<sup>(1)</sup></u>	<u>Principal Occupation For Past 5 Years</u>
François Paroyan ..... Ontario, Canada	SVP General Counsel and Corporate Affairs and Corporate Secretary	N/A	SVP General Counsel and Corporate Affairs and Corporate Secretary of Kruger Products (October 2018 – present); General Counsel and Corporate Secretary of Kruger Products (July 2015 – October 2018); Corporate Vice President of Human Resources (January 2016 – October 2018)
Chuck Stewart ..... British Columbia, Canada	Corporate Vice President, Product Innovation and Quality	N/A	Corporate Vice President, Product Innovation and Quality of Kruger Products (August 2022 – present); Corporate Vice President, Technology and Product Development of Kruger Products (October 2017 – August 2022); General Manager Region West Manufacturing of Kruger Products (July 2006 – October 2017)
Mike Yang..... Ontario, Canada	SVP Technology and Supply Chain	N/A	SVP Technology and Supply Chain of Kruger Products (November 2022 – present); SVP Supply Chain of Kruger Products (May 2021 – November 2022); VP Manufacturing of Kruger Products (June 2019 - April 2021); Ex. VP, Operations at Noramerica Inc. (October 2018 - April 2019); Plant Manager at Irving Consumer Products (November 2014 - October 2018)

- (1) This includes service on the board of the general partner of KPLP prior to the Reorganization, where applicable.  
(2) Member of Kruger Products Compensation Committee.  
(3) Member of Kruger Products Governance Committee.  
(4) Member of Kruger Products Audit Committee.  
(5) As announced, Mark Holbrook will resign as Chief Financial Officer effective end of day March 10, 2024.

## ***Biographies***

### *Joseph Kruger II, Director*

Joseph Kruger II has been the Chair and Chief Executive Officer of Kruger since 1988. Prior to 1988, Mr. Kruger held various senior management positions within the company, during which time the company has been expanded and has implemented numerous successful acquisitions and modernization projects. Mr. Kruger has played a vital role at Kruger since his graduation from Clarkson University, Potsdam, New York in 1967, where he earned a Bachelor of Science degree in Mechanical Engineering. Mr. Kruger also received an honoris causa Doctorate in Science from Clarkson University in 1987.

Mr. Kruger served for ten years as a trustee of Clarkson University, first as an alumni trustee and later as a trustee. He has been a member of the Board’s Campus Life Development and Investment Committees. He received

an Honorary Doctor of Laws degree from Memorial University in May 1996. He also received an honoris causa Doctorate from the University of Sherbrooke in October 1998. On October 8<sup>th</sup>, 2002, Mr. Kruger received an Honorary Doctorate degree from the Université du Québec à Trois-Rivières. On June 11<sup>th</sup>, 2006 Mr. Kruger received an honoris causa Docteur en sciences forestières from Université Laval.

Mr. Kruger is a past Director of the Bank of Canada. On January 23<sup>rd</sup>, 1994, Mr. Kruger received one of Québec's highest distinctions, Knight of the Order of Québec (Chevalier de l'Ordre national du Québec) for his outstanding support and commitment to education, science, technology and research. On February 4<sup>th</sup>, 1998 he was appointed as a Member of the Order of Canada. In addition, on November 25, 2020 Mr. Kruger was admitted to the rank of Officer into the Order of Montréal (Ordre de Montréal) in recognition of his contributions to the City of Montreal.

Mr. Kruger is also Chair of the Kruger Products Compensation Committee.

*David Angel, Director*

David Angel is Vice Chairman of the Board, Executive Vice President and Chief Financial Officer of Kruger Inc.

Before joining Kruger Inc., Mr. Angel worked for the Bank of Nova Scotia for 16 years initially as Account Officer within the Corporate Banking Division for two years before assuming the title of Director, Scotia Capital – Corporate Banking, from 1999 to 2012. As such he assisted leading public and private companies in Quebec, offering a wide range of expert services focused on lending products and other credit-intensive banking products and services. His broad banking experience includes working on many large mergers and acquisitions in which the bank provided bridge and permanent financing.

Mr. Angel holds an MBA, Bachelor degrees in Arts, Civil Engineering and Civil Law from McGill University.

Mr. Angel is on the Kruger Products Compensation Committee.

*Dino Bianco, Director and Chief Executive Officer*

Mr. Bianco was appointed Chief Executive Officer on March 9, 2018.

He is an accomplished and highly respected executive who brings over 30 years of financial, sales & marketing and senior management experience, including over 25 years with Kraft. As President of Kraft Canada, Mr. Bianco successfully led a business with several billion in sales, 23 brands, 11 facilities and with more than 5,000 employees. Mr. Bianco has also developed a strong relationship with Canadian retailers and in 2013 was the recipient of the Food Industry Association of Canada's "Golden Pencil" award recognizing his lifetime contribution to the grocery sector. Furthermore, he has extensive U.S. and foodservice experience having recently served as President of Kraft's multi-billion U.S. Beverage division based in Chicago. During his tenure, he was responsible for driving significant growth, profits and innovation.

Mr. Bianco holds a Bachelor of Commerce from the University of Toronto and is a Chartered Professional Accountant. He currently sits on the Board of FHCP.

*James Hardy, Independent Director*

James Hardy recently retired from Revera Inc, a leading Owner, Manager and Developer of Seniors Residences in Canada, the United States and the UK, where from 2013-2021 he held the positions of Chief Investment Officer, Chief Corporate Development Officer and Chief Financial Officer. During his time with Revera, Mr. Hardy oversaw the expansion of Revera into the US and UK via the acquisitions of Sunrise Senior Living and Signature Senior Lifestyles as well as numerous developments of new properties under leading Senior living brands. From 2014-2021 Mr. Hardy was a Board Member and Audit Committee Chair for Sunrise Senior Living. Prior to joining



Revera, Mr. Hardy was Chief Financial Officer of Public Mobile Inc from 2009-2012 and from 2001-2008, Mr. Hardy was Managing Director of Telecom, Media and Technology Investment Banking at National Bank Financial. Mr. Hardy has more than 35 years' experience as a corporate executive, investment banker and entrepreneur.

Mr. Hardy holds an ICD.D designation from the University of Toronto (2010), a Master of Business Administration (with Distinction) from the Ivey School of Business at Western University (1988) and holds a Bachelor of Applied Science in Electrical Engineering from the University of British Columbia (1982).

Mr. Hardy is the Chair of the Corporation Audit Committee, a member of the Corporation Nominating and Governance Committee, Chair of the Kruger Products Audit Committee and a member of the Kruger Products Governance Committee.

*Gene Kruger, Director*

Gene Kruger was appointed Vice President, Business Development of Kruger Inc. in 2015. In this capacity he is involved in the development of all of Kruger Inc.'s business units which include Tissue Products, Renewable Energy, Publication Papers, Speciality Papers, Containerboard, Eco-Friendly Packaging Products, Recycling, Cellulosic Biomaterials, Real Estate Development and Wines and Spirits.

Prior to joining Kruger Inc., Gene Kruger was an associate with McCarthy Tétrault from 2008 to 2015, specializing in commercial, civil and administrative litigation.

Mr. Kruger earned a law degree from McGill University and a Bachelor of Philosophy with Honours from McGill University. He is a member of the Quebec Bar. Mr. Kruger sits on the Board of Directors of Pop Montreal International Music Festival (a not-for-profit).

Mr. Kruger is Chair of the Kruger Products Governance Committee.

*Sarah Kruger, Director*

Sarah Kruger has been a member of the Board of Directors for Kruger Inc. since 2008, currently a Vice President and co-chairs the Human Resources committee. Sarah also sits on Kruger Leadership committees across all of the organizations' business segments.

Prior to joining Kruger, Sarah worked and then consulted for BMO Harris Private Banking. In this capacity, Sarah worked with the succession planning team on knowledge-building and other resources for business owners. Notably, Sarah co-authored a number of books on succession planning for family business owners. Sarah's ongoing interest in succession planning led to her co-authoring "The 50 Biggest Estate Planning Mistakes and How to Avoid Them" for Wiley publishing in 2011.

Sarah obtained her Bachelors of Arts in Psychology from Newbury College and a Masters of Arts in Teaching from Regis College.

*David Spraley, Director (Chair)*

David A. Spraley is Executive Vice President of Kruger Inc. Prior to joining Kruger, Mr. Spraley accumulated over 30 years of experience in the forest industry, both in the pulp and paper sector and the consumer products side of the business.

Mr. Spraley started his career at Mead Corporation where he held positions of increasing responsibility from 1978 to 1991. He then joined Georgia-Pacific for the following 15 years, earning extensive experience, particularly in the consumer products division. The last position he held was Senior Vice President, Consumer Products Manufacturing. As such, he was responsible for six integrated manufacturing operations producing tissue, pulp and fine paper.

Mr. Spraley joined AbitibiBowater (now Resolute Forest Products) in 2006, where he held various senior positions from 2006 to 2011. Most recently, he was Senior Vice President, Manufacturing, Pulp and Paper Operations, overseeing operations for 19 facilities in Canada, South Korea and the USA. These facilities produced bleached kraft pulp, coated paper, newsprint and hydroelectricity.

Mr. Spraley holds a Bachelor of Science in Chemical Engineering from the University of Dayton.

*François Vimard, Independent Director*

François Vimard is currently a member of the Board of Directors and a member of the Audit Committee of Jamieson Wellness Inc. Mr. Vimard previously served on the board for GS1 Canada, a not-for-profit company that manages global barcode standards, and Andrew Peller Ltd., a Canadian based winery company. He previously served on the board for Market GoodFood and was also a trustee of Crombie REIT from 2014 to 2017.

Mr. Vimard has more than 30 years of experience in food retailing. He spent more than 22 years at Empire Company Limited/Sobeys Inc. which is the second largest food retailer in Canada. Mr. Vimard was Interim President and CEO at Empire and Sobeys from July 2016 to December 2016 and was previously the Chief Financial Officer from June 2007 to June 2016.

Mr. Vimard has a deep understanding of the retail business, having been responsible for the technology and supply chain departments during his tenure at Sobeys. He was also responsible for the National ERP implementation and overall business process optimization as well as the implementation of a state-of-the-art automated warehousing technology.

Mr. Vimard is a Chartered Professional Accountant. He earned his Bachelor of Business Administration degree and License in Accounting Sciences from the University of Laval. He also earned a certificate at the executive program in Strategic Retail Management at Babson College in Boston, MA. Mr. Vimard is also a member and graduate of the Institute of Corporate Directors.

Mr. Vimard is the Chairman of the Corporation's Board and sits on the Corporation's Audit Committee, and Nominating and Governance Committee, the Kruger Products Audit Committee and Kruger Products Governance Committee.

*John ('Jay') Wright, Independent Director*

Jay Wright is a retired leader of global Fortune 500 consumer goods companies in Canada & the U.S. He brings broad C-level experience and expertise to purposeful and exciting business missions. Mr. Wright leads strategic evolution of long-term value creation for customer centric companies seeking outstanding and sustained growth and performance. He is also recognized for his ability to build powerful brands to drive top-quartile results and engagement and create highly optimized cost structures. Mr. Wright is also adept in overseeing digital innovation.

He is currently a member of the Board of Directors and Executive Committee of Upper Canada Forest Products, Advisor Board Chair of the Smith School of Business at Queen's University and a member of the Board of Directors of the TD Toronto Jazz Festival. Mr. Wright obtained a Bachelor of Commerce (Honours) from Queen's University.

Mr. Wright is a member of the Corporation's Audit Committee, Chair of the Corporation's Nominating and Governance Committee, a member of the Kruger Products Audit Committee as well as the Kruger Products HR and Compensation Committee.

*Mina Fior, Senior Vice President Human Resources*

Mina Fior was appointed Senior Vice President, Human Resources in October 2018. Prior to joining Kruger Products, Ms. Fior worked as the Vice President Human Resources at Aramark Canada. Ms. Fior is a trusted business partner and senior executive with over 30 years of HR experience in the consumer packaged goods, retail, food service

and manufacturing industries. She graduated from York University with a Bachelor of Arts degree and also obtained CHRL designation from the Human Resources Professional Association.

*Gordon Goss, Senior Vice President and General Manager, Consumer Business USA and Mexico*

Gordon Goss was appointed Senior Vice President and General Manager, Consumer Business USA and Mexico in May 2018. Since 2011 Mr. Goss was Corporate Vice President, Consumer Business USA and Mexico of Kruger Products USA. He joined Scott Paper Limited (now Kruger Products) in 1991 and held many sales and marketing management positions with that company in both Canada and the United States. Mr. Goss was transferred to the U.S. market in 2004 as one of the first members of the U.S. expansion management team, and member of the management team responsible for the expansion into the Mexican market.

Mr. Goss completed the Columbia University General Management Leadership program and has a Bachelor of Arts degree from York University.

*Mark Holbrook, Chief Financial Officer*

Mark Holbrook was appointed Chief Financial Officer of Kruger Products in 2012. He acted as Corporate Vice President, Finance and Information Technology from 2007 until his appointment as Chief Financial Officer and, prior to that time, as Corporate Vice President, Finance (appointed in 2004). His career at Kruger began in 1998.

Mr. Holbrook has 38 years of experience in the consumer packaged goods industry, including 12 years with Unilever Canada.

Mr. Holbrook has a Chartered Professional Accountant designation (CPA, CA) and holds a Bachelor of Business Administration degree from Wilfrid Laurier University.

As previously announced on December 14, 2023, Mr. Holbrook will be retiring from his position as Chief Financial Officer and Michael Keays will succeed him effective March 11, 2024.

*Susan Irving, Chief Marketing Officer*

Susan (Banbury) Irving was appointed Chief Marketing Officer of Kruger Products on March 1, 2020. Ms. Irving is an accomplished, award-winning senior marketing executive with over two decades of experience leading many successful and well-known brands at Warner Lambert, Coca-Cola and PepsiCo. She has a strong passion for brands and building high performance teams. Ms. Irving is a strategic business leader with experience that spans across all aspects of business management and consumer marketing. Most recently at PepsiCo Foods Canada, Ms. Irving was the Senior Marketing Director for the Quaker Nutrition portfolio. During her 15 years at PepsiCo, she held several progressive roles including leadership of a Global Snacks team and has worked on key brands such as Doritos, Cheetos, Lays and Sun Chips.

Ms. Irving has a Bachelor of Commerce Degree with honours from Laurentian University and has been recognized with several industry accolades including CMAs, Cassies, Cannes Lions, The Bessies, Media Innovation Awards and Canadian New Media Awards. She is currently the President of the Board of Directors of the Leaside Hockey Association and Jury Chair for the prestigious Cannes Young Lions Competition.

*Michael Keays, Vice President, Business Finance*

Michael Keays was appointed Chief Financial Officer of Kruger Products effective March 11, 2024. Prior to that time, Mr. Keays acted as Vice President, Business Finance of Kruger Products from August 2020 to February 2024. He joined Kruger Products in 2008 and held many finance positions with the company in both Canada and the United States.

Mr. Keays holds a Bachelor of Business Administration degree from the University of Ottawa and has a Chartered Professional Accountant designation (CPA, CMA).

*Michel Manseau, Senior Vice President and General Manager, Consumer Business Canada*

Michel Manseau was appointed Senior Vice President and General Manager Consumer Business Canada (Kruger Products) in May 2018. Prior to that time, Mr. Manseau acted as Corporate Vice President, Consumer Sales Canada (Kruger Products) from May 2007 to May 2018. He joined Scott Paper Limited (now Kruger Products) in 1988 and held many sales positions with that company in both Canada and the United Kingdom.

Mr. Manseau holds a Bachelor of Business Administration degree from the Université du Québec à Montréal and is actively involved in numerous industry committees and boards including: Canadian Federation of Independent Grocers (CFIG); Food and Consumer Products (FCPC) – Industry Affairs Executive Council Member; and GSI Canada – Grocery Sector Board Member.

*Robert 'Rob' Martin, Senior Vice President Operations*

Rob Martin was appointed SVP Operations in October 2022. Mr. Martin has over 33 years of experience in Pulp, Paper, and Tissue with positions held in finance, process engineering, production and maintenance management, GM (2 sites), and Senior Leadership. Companies during his career include Champion International Corporation, Donohue, Abitibi Consolidated, AbitibiBowater, and Resolute Forest Products.

Mr. Martin holds a Bachelor of Science degree in Accounting from Husson University located in Bangor, Maine.

*John O'Hara, SVP Senior Vice President & General Manager, Away from Home*

John O'Hara was appointed Senior Vice President and General Manager, AFH in May 2019. Prior to his recent appointment, Mr. O'Hara held the position of Vice President, Business Logistics of Kruger Products from 2007 and Corporate Vice President, Logistics from 2009. Prior to joining Kruger Products, he worked with Deloitte Consulting in the Strategy and Operations Group. During his tenure with Deloitte, Mr. O'Hara was focused on the Consumer Products Industry in the Supply Chain competency. He has worked successfully on projects with Perrier, Parmalat and Dreyer's Ice Cream.

Mr. O'Hara has an undergraduate degree in Economics from the University of Western Ontario and his MBA from McMaster University.

*François Paroyan, Corporate Secretary and SVP, General Counsel and Corporate Affairs*

François Paroyan was appointed SVP, General Counsel and Corporate Affairs in October 2018 and continues to be the Corporate Secretary since his appointment in 2015. Mr. Paroyan held the position of General Counsel and Corporate Vice President, Human Resources from January 4, 2016 to August 2018. Prior to joining Kruger Products, Mr. Paroyan worked seven years as a Legal & HR executive with a global chemical company, BASF Canada. He also acquired significant experience in the retail and food industry while working as a Legal and Labour Relations Professional for over eleven years at George Weston and Loblaw Companies.

Mr. Paroyan received his LL.B. and B.Soc.Sc. from the University of Ottawa. He is also called to the Bar in the Province of Ontario.

*Chuck Stewart, Corporate Vice President, Product Innovation and Quality*

Chuck Stewart was appointed Corporate Vice President, Product Innovation and Quality in 2022. Mr. Stewart held the position of Corporate Vice President Technology and Product Development of Kruger Products from October 2017. Previously, Mr. Stewart acted as General Manager, Region West Manufacturing (appointed in 2006). He has been with the company for 30 years in various roles in manufacturing and technology and product development.

Mr. Stewart holds a B.A.Sc. in Mechanical Engineering from the University of British Columbia and an MBA from Queen's University.

*Mike Yang, SVP Technology and Supply Chain*

Michael Yang was appointed Senior Vice President Technology and Supply Chain of Kruger Products in 2022. Previously, he acted as SVP Supply Chain from 2021 and Vice President of Manufacturing from when he joined the company in 2019. Mr. Yang has over 20 years of experience in the consumer packaged goods industry, including 15 years with Kimberly-Clark Corporation.

Mr. Yang holds a BAsC in Mechanical Engineering from the University of Washington and an MBA from the University of Southern California.

**Cease Trade Orders or Bankruptcies**

To the knowledge of the Corporation (in respect of the directors and executive officers of the Corporation) and to the knowledge of Kruger Products (in respect of the directors and executive officers of Kruger Products), in the last ten years, no director or executive officer of the Corporation or Kruger Products has been a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets. Also, to the knowledge of the Corporation (in respect of the directors and executive officers of the Corporation) and to the knowledge of Kruger Products (in respect of the directors and executive officers of Kruger Products), in the last ten years, no director or executive officer of the Corporation or Kruger Products has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets.

To the knowledge of the Corporation (in respect of the directors and executive officers of the Corporation) and to the knowledge of Kruger Products (in respect of the directors and executive officers of Kruger Products), in the last ten years, no director or executive officer of the Corporation or Kruger Products is or has been a director or executive officer of any other issuer that, while that person was acting in that capacity (i) was the subject of a cease trade order or similar order, or an order that denied the other issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days, that was issued (i) while such person was acting in that capacity; or (ii) after such person was acting in that capacity and which resulted from an event that occurred while that person was acting in such capacity.

**Penalties or Sanctions**

No director or executive officer of the Corporation or Kruger Products has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

**Conflicts of Interest**

To the best of the Corporation's knowledge, there are no known existing or potential conflicts of interest among the Corporation and its directors or executive officers except that certain of the Corporation's directors and executive officers also serve as directors and officers of other companies and, in particular: (i) each of the directors of the Corporation are directors of Kruger Products, (ii) Louise Denys Wendling was nominated to the Corporation Board by Kruger and sits on the Advisory Board of Kruger, (iii) Dino Bianco, the Corporation's Chief Executive Officer, is the Chief Executive Officer of Kruger Products and (iv) Mark Holbrook, the Corporation's Chief Financial Officer, is the Chief Financial Officer of Kruger Products. To the extent that the interests of those other companies, including Kruger and Kruger Products, differ from those of the Corporation, conflicts of interest may arise.

To the best of Kruger Products Management’s knowledge, there are no known existing or potential conflicts of interest among Kruger Products and its directors or executive officers except that certain of Kruger Products’ directors and executive officers also serve as directors and officers of other companies. In particular, numerous directors and officers of Kruger Products are also directors and/or officers of Kruger and its affiliates. To the extent that the interests of those other companies, including Kruger, differ from those of Kruger Products, conflicts of interest may arise. See “Risk Factors — Kruger’s Influence over Kruger Products”.

### **Indemnification and Insurance**

The Corporation and Kruger Products jointly subscribed for a directors’ and officers’ insurance policy effective December 13, 2012. In addition, the Corporation and Kruger Products have entered into indemnification agreements with each of the Corporation’s directors and officers and Kruger Products has entered into indemnification agreements with Kruger Products’ directors and Kruger Products’ officers. The indemnification agreements generally require that the Corporation and/or Kruger Products, as applicable, indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees’ service to the Corporation or Kruger Products as directors and officers, provided that the indemnitees acted honestly and in good faith and in a manner the indemnitees reasonably believed to be in or not opposed to the relevant entity’s best interests and, with respect to criminal and administrative actions or proceedings that are enforced by monetary penalty, the indemnitees had no reasonable grounds to believe that his or her conduct was unlawful. The indemnification agreements will also provide for the advancement of defence expenses to the indemnitees by the Corporation or Kruger Products, as applicable, to the extent permitted by applicable law.

## **AUDIT COMMITTEE INFORMATION REGARDING THE CORPORATION**

### **Charter of the Audit Committee**

The Corporation Board has adopted a written charter for the Corporation Audit Committee (the “Charter of the Corporation Audit Committee”) which sets out the responsibilities of the Corporation’s audit committee (the “Corporation Audit Committee”) in reviewing the financial statements of the Corporation and public disclosure documents containing financial information and reporting on such review to the Corporation Board, ensuring that adequate procedures are in place for the review of Corporation’s public disclosure documents that contain financial information, overseeing the work and review the independence of the external auditors and reviewing, evaluating and approving the Corporation’s internal control procedures. A copy of the Charter of the Corporation Audit Committee is attached to this Annual Information Form as Appendix A.

### **Composition of the Audit Committee**

NI 52-110 sets out requirements concerning the composition and responsibilities of an issuer’s audit committee and concerning an issuer’s reporting obligations with respect to audit related matters. The Corporation Audit Committee is composed of James Hardy (Chair), François Vimard and John (‘Jay’) Wright, each of whom is financially literate and independent within the meaning of NI 52-110.

### **Relevant Education and Experience of the Audit Committee Members**

See “Directors and Officers — Directors and Executive Officers of Kruger Products — Biographies” for a brief summary of the education and experience of each Corporation Audit Committee member that is relevant to his performance as a member of the Corporation Audit Committee.

## External Auditor Service Fee

The Corporation has been billed the following fees for services rendered in respect of the audits of PwC for the fiscal years ended December 31, 2023 and December 31, 2022.

(in thousands)	Fiscal Year ended	Fiscal Year ended
	December 31, 2023	December 31, 2022
Audit Fees <sup>(1)</sup> .....	\$ 100	\$ 99
Audit-Related Fees <sup>(2)</sup> .....	\$ 23	\$ 23
Tax Fees <sup>(3)</sup> .....	\$ 6	\$ 5
All Other Fees <sup>(4)</sup> .....	\$ -	\$ -
Total Fees Paid .....	<u>129</u>	<u>127</u>

(1) “Audit Fees” include fees necessary to perform the annual audits of the Corporation.

(2) “Audit-Related Fees” include fees for assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the Corporation’s financial statements other than those included in “Audit Fees”.

(3) “Tax Fees” include fees for all tax services other than those included in “Audit Fees” and “Audit-Related Fees”. This category includes fees for tax compliance, tax advice and tax planning.

(4) “All Other Fees” include fees for products and services provided by the auditor other than those included above.

## AUDIT COMMITTEE INFORMATION REGARDING KRUGER PRODUCTS

### Charter of the Audit Committee

The Kruger Products Board has adopted a written charter for the Kruger Products Audit Committee (the “Charter of the Kruger Products Audit Committee”) which sets out the responsibility of the Kruger Products Audit Committee (the “Kruger Products Audit Committee”) in reviewing the financial statements of Kruger Products and reporting on such review to the Kruger Products Board, overseeing the work and review the independence of the external auditors and reviewing, evaluating and approving the Corporation’s internal control procedures. The Charter of the Kruger Products Audit Committee is substantially the same as the Charter of the Corporation Audit Committee, a copy of which is attached to this Annual Information Form as Appendix A. The Kruger Products Audit Committee will meet at least four times annually to fulfill its mandate.

### Composition of the Audit Committee

The Kruger Products Audit Committee is comprised of James Hardy (Chair), Francois Vimard and John (‘Jay’) Wright, each of whom is financially literate and independent within the meaning of NI 52-110.

### Relevant Education and Experience of the Audit Committee Members

See “Directors and Officers — Directors and Executive Officers of Kruger Products — Biographies” for a brief summary of the education and experience of Kruger Products Audit Committee member that is relevant to his performance as a member of the Kruger Products Audit Committee.

## External Auditor Service Fee

Kruger Products has been billed the following fees for services rendered in respect of the audits of PwC for the fiscal years ended December 31, 2023 and December 31, 2022.

(in thousands)	Fiscal Year ended December 31, 2023	Fiscal Year ended December 31, 2022
Audit Fees <sup>(1)</sup> .....	\$ 1,073	\$ 989
Audit-Related Fees <sup>(2)</sup> .....	\$ 70	\$ 68
Tax Fees <sup>(3)</sup> .....	\$ 1,539	\$ 1,055
One-time Tax Fees .....	\$ -	\$ -
All Other Fees <sup>(4)</sup> .....	\$ -	\$ -
Total Fees Paid .....	<u>2,682</u>	<u>2,112</u>

(1) "Audit Fees" include fees necessary to perform the annual audits of Kruger Products.

(2) "Audit-Related Fees" include fees for assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of Kruger Products' financial statements other than those included in "Audit Fees".

(3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax advice and tax planning.

(4) "All Other Fees" include fees for products and services provided by the auditor other than those included above.

## RISK FACTORS

### Risks Related to the Corporation

#### *Dependence on Underlying Performance of Kruger Products*

The value of the Common Shares depends on the financial performance and profitability of Kruger Products, and Kruger Products' distribution policies and ability to make cash distributions. Any decline in the financial performance of Kruger Products or adverse change in such other factors could have an adverse effect on the Corporation and the value and market price of the Common Shares. As the business of the Corporation is restricted to the holding of an interest in Kruger Products and the Corporation is restricted from transferring such interest, the Corporation has no ability to diversify its investments or otherwise limit the risks associated with its investment in Kruger Products.

#### *Volatile Market Price for Common Shares*

The market price for the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Corporation's control, including the risks listed under "Risks Related to Kruger Products' Business" below. Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if Kruger Products' operating results or prospects have not changed. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the trading price of the Common Shares may be adversely affected.

#### *Dependence on Dividend Declarations by Kruger Products*

A return on an investment in the Corporation's Common Shares is not comparable to the return on investment in a fixed-income security. The recovery of an investor's initial investment is at risk, and the anticipated return on such investment is based on numerous performance assumptions. Given that the Corporation's business is limited to holding an interest in Kruger Products, there is uncertainty regarding future dividend payments by the Corporation



and the level thereof as the Corporation's dividend policy and the funds available for the payment of dividends from time to time is dependent, among other things, on the ability of Kruger Products to pay dividends to its shareholders, including the Corporation. Although Kruger Products intends to declare regular dividends to its shareholders, these dividends may be reduced or suspended. There is no assurance that Kruger Products will make any such dividend or maintain its dividend policy in the future. The actual amount distributed may depend on numerous factors including:

- Kruger Products' operations and its performance, which may fluctuate from period to period;
- restrictive covenants in agreements governing Kruger Products' indebtedness;
- a decision by Kruger and/or the Corporation not to participate in the Kruger Products DRIP, thereby reducing the amount available under the Restricted Payments Basket;
- economic, competitive and other factors beyond the control of the Corporation; and
- other factors in the discretion of the board of directors of Kruger Products.

The suspension or reduction in the level of dividends declared by Kruger Products will in turn adversely affect the ability of the Corporation to pay dividends to its shareholders. In addition, the value of the Corporation's Common Shares may decline if the Corporation is unable to meet its cash distribution targets in the future, and such decline may be significant. Investors should not assume that the proposed level of dividend payments will be maintained.

Furthermore, any distribution by Kruger Products is at the discretion of the Kruger Products Board and, so long as the Corporation Aggregate Ownership Interest is less than or equal to 60%, the Corporation will not have control over the amount of earnings distributed by Kruger Products to its shareholders or the declaration of a dividend at all. The failure of Kruger Products to declare and pay cash dividends to its shareholders would have a material adverse effect on the Corporation's business and financial condition.

#### *Kruger's Exchange of Kruger Products Shares for Common Shares and Future Sales of Common Shares by Kruger*

Pursuant to the Exchange Agreement, Kruger has the right to exchange Kruger Products Shares it holds from time to time for Common Shares on the basis of one Kruger Products Share for one Common Share, subject to adjustment as set out in the Exchange Agreement. If Kruger were to exchange all Kruger Products Shares held by it as of March 7, 2024, for Common Shares, it would hold approximately 87.1% of the issued and outstanding Common Shares and will therefore control the Corporation. Kruger's interests may differ from those of other shareholders of the Corporation and it may exercise its influence over the operations and actions of the Corporation in a manner which conflicts with the interests of other shareholders of the Corporation.

Subject to compliance with applicable securities laws, Kruger may sell some or all of its Common Shares in the future. No prediction can be made as to the effect, if any, such future sales of Common Shares will have on the market price of the Common Shares prevailing from time to time. However, the future sale of a substantial number of Common Shares by Kruger or the perception that such sale could occur, could adversely affect the market price of the Common Shares and could impair the Corporation's ability to raise capital through any future sales of Common Shares. Under the Registration Rights Agreement, Kruger is granted certain demand and "piggy-back" registration rights pursuant to which the Corporation is required to qualify by way of prospectus Common Shares held by Kruger for sale.

#### *Illiquid Market for Kruger Products Shares*

Since there is no market for Kruger Products Shares and since the transfer of such shares are subject to restrictions under the Shareholders' Agreement, shareholders of the Corporation may not be able to monetize any increase in the underlying value of Kruger Products. This fact may result in the market price of the Common Shares not reflecting the full value of a direct investment in Kruger Products.

### *Limited Rights of the Corporation with Respect to the Management of Kruger Products*

As a holder of a minority equity interest in Kruger Products, the Corporation has limited ability to control or influence the management of the business of Kruger Products or other actions taken by Kruger Products, including with respect to dividend issuances. The Corporation's rights with respect to its interest in Kruger Products, the conduct of Kruger Products' business and other actions taken by Kruger Products are limited to those set out in the Shareholders' Agreement.

### *Kruger Rights Relating to Certain Actions of the Corporation and Director Nomination Right*

Kruger holds the Director Nomination Right to designate one individual to be included in the management nominees for election as a director of the Corporation. Kruger will continue to hold such right for so long as the Kruger Aggregate Ownership Interest is equal to or greater than 20%.

Kruger's interests may differ from those of other shareholders of the Corporation and it may exercise its rights relating to the Corporation in a manner which conflicts with the interests of other shareholders of the Corporation.

### *Kruger Products Can Require the Corporation to Undertake Certain Corporate Actions*

Pursuant to the Shareholders' Agreement, Kruger Products can require the Corporation to purchase Common Shares by way of normal course issuer bid or substantial issuer bid. Furthermore, if Kruger Products proposes to issue Kruger Products Shares, the Corporation shall not unreasonably refuse to exercise its Pre-Emptive Right, which would require it to issue securities to the public by way of prospectus offering. For so long as the Kruger Aggregate Ownership Interest is equal to or greater than 50%, Kruger Products will be controlled by Kruger, whose interests may differ from those of the Corporation and its shareholders. Kruger Products may require the Corporation to undertake such repurchases or issuances at an inopportune time for the Corporation.

### *Kruger's Drag-Along Right*

For so long as the Kruger Aggregate Ownership Interest is equal to or greater than 66⅔%, if Kruger decides to sell all of its Kruger Products Shares for cash and the board of Kruger Products has obtained a fairness opinion stating that the per Kruger Products Share price is fair to the holders of Kruger Products Shares, Kruger will have the right to require the Corporation to sell all of its Kruger Products Shares to the offeror at the same price as Kruger. Kruger may decide to exercise such drag-along right at an inopportune time for the Corporation and its shareholders. The fact that Kruger has such a right could adversely affect the value of the Common Shares.

### *Loss of Rights Under the Shareholders' Agreement*

In the event of a breach by the Corporation of certain covenants under the Shareholders' Agreement (see "Material Contracts — Material Contracts of the Corporation — Shareholders' Agreement — Covenants of the Corporation") and the Exchange Agreement (see "Material Contracts — Material Contracts of the Corporation — Exchange Agreement — Pre-Emptive Right), the Corporation will lose the benefit of certain rights under the Shareholders' Agreement, including the Corporation's right (i) to designate nominees for election to the Kruger Products Board, (ii) to exercise any pre-emptive rights, rights of first refusal or tag-along rights, and (iii) to access or receive any information relating to Kruger Products under any provision of the Shareholders' Agreement (other than to receive information required to be included in any public disclosure documents required to be filed in the ordinary course under applicable securities laws). In addition, in the event of certain such breaches by the Corporation, (A) Kruger will have the right to purchase, and the Corporation will be required to sell, all or any portion of the Kruger Products Shares held by the Corporation at a price per Kruger Products Share equal to the fair market value of such shares as determined by an independent qualified valuator appointed by Kruger Products, and (B) Kruger will be released from its restrictions under the Non-Competition Agreement for so long as such breach by the Corporation remains unremedied. Investors are cautioned that the Corporation's loss of any such rights under the Shareholders' Agreement would be expected to negatively impact the market price of the Common Shares.

### *Reliance on Administrative Services Provided by Kruger Products*

The Corporation will be entirely dependent on Kruger Products to administer its ongoing operations and affairs in order for the Corporation to carry on its activities as a public company, and has no independent capacity to do so. Pursuant to the Administration Agreement, Kruger Products may perform such services despite the existence of any conflicts of interest between Kruger Products and the Corporation and Kruger Products will provide such services at its own cost and expense. If Kruger Products ceases to provide such services, it is unlikely that the Corporation will be able to engage an alternative administrator on similar terms and would need to incur additional costs to do so.

### *Risk of Dilution in Kruger Products*

An equity issuance by Kruger Products that is not fully subscribed by the Corporation in accordance with its Pre-Emptive Right would be dilutive to its equity ownership in Kruger Products. Should the Corporation not have access to capital at the relevant time, the Corporation may not be able to subscribe, in part or in full, to its pro rata share pursuant to its Pre-Emptive Right. Furthermore, if Kruger participates in the Kruger Products DRIP with respect to the dividends it receives on a greater proportion of its Kruger Products Shares than does the Corporation, the Corporation's equity ownership in Kruger Products will be diluted upon Kruger Products issuing dividends to its shareholders. Kruger has indicated that it intends to participate in the Kruger Products DRIP with respect to a significant position of the Kruger Products Shares held by it.

### *Dilution due to Corporation DRIP*

The participation of shareholders in the Corporation DRIP will dilute the holdings of other holders of Common Shares and may have a negative impact on the market price of the Common Shares.

### *Inability to Comply with Continuous Disclosure Requirements*

The Corporation's ability to comply with its continuous disclosure obligations under applicable Canadian securities laws is dependent on the continued compliance by Kruger Products of its disclosure obligations under the Shareholders' Agreement and its service obligations under the Administration Agreement. In the event Kruger Products breaches its disclosure obligations under the Shareholders' Agreement or its service obligations under the Administration Agreement, the Corporation may not be able to satisfy its continuous disclosure obligations under applicable Canadian securities laws and may ultimately be in breach of such requirements.

### *Realization of Larger Capital Gain (or Smaller Capital Loss) Upon Disposition of Kruger Products Shares Acquired Pursuant to Exchange Agreement*

Pursuant to the Exchange Agreement, Kruger has the right to exchange the Kruger Products Shares it holds from time to time for Common Shares. Under the Exchange Agreement, the Corporation has agreed that, at the request of Kruger, such exchange may occur on a tax deferred basis under section 85 of the Tax Act (the "tax deferred exchange"). Under the tax deferred exchange, the Corporation's adjusted cost base in the Kruger Products Shares so acquired will be equal to the elected amount as specified in the election. As a consequence of such tax deferred exchange, the Corporation may realize a larger capital gain (or smaller capital loss) in the event of a disposition by the Corporation of Kruger Products Shares than would otherwise be the case if the Kruger Products Shares were acquired by the Corporation at a cost for tax purposes equal to their fair market value. However, the amount of the capital gain (or capital loss) might be smaller (or larger) as compared to a scenario where the Corporation held and disposed of the assets of Kruger Products directly.

### *Business Conflicts of Interest*

Conflicts of interest and disputes may arise between Kruger, Kruger Products and the Corporation relating to a potential misalignment between their corporate objectives and business interests or their past and ongoing relationships, including:

- labour, tax, employee benefits, procurement, management support and administrative services;
- supplies of services and supplies and sale products by Kruger Products involving Kruger or its other affiliates;
- indemnification and other matters arising in connection with agreements between Kruger and Kruger Products;
- trademark matters;
- employee recruiting and retention;
- investment in or exploitation of business opportunities;
- financing of Kruger Products;
- dividend policy of Kruger Products;
- fundamental changes involving Kruger Products or its scope of business;
- sales or distributions by Kruger of all or any portion of its ownership interest in Kruger Products or the Corporation; and
- business combinations involving Kruger Products or the Corporation.

Kruger Products, Kruger and the Corporation may not be able to resolve any potential conflicts, and, even if they do, the resolution may be less favourable to Kruger Products or the Corporation than if it were dealing with a party that was not a significant holder of equity of Kruger Products. The agreements that Kruger Products and the Corporation entered into with Kruger and its affiliates may be amended upon agreement between the parties, subject to the provisions of applicable laws. Because Kruger may have significant equity holdings in and other rights relating to Kruger Products, Kruger Products and the Corporation may not have the leverage to negotiate any required amendments to these agreements on terms as favourable to Kruger Products and the Corporation as those Kruger Products or the Corporation would negotiate with a party that was not a significant holder of equity of Kruger Products.

### **Risks Related to Kruger Products' Business**

#### *Kruger's Influence over Kruger Products*

For so long as the Kruger Aggregate Ownership Interest is equal to or greater than 50%, Kruger will have the right to nominate a majority of the members of the Kruger Products Board and will thereby have the power to determine the strategic direction, governance and transactions of Kruger Products, subject to the rights of the Corporation provided for under the Shareholders' Agreement. Although the Shareholders' Agreement requires the inclusion of at least one nominee director of the Corporation on the Kruger Products Compensation Committee and the Kruger Products Governance Committee, the majority of the members of those committees may consist of directors that Kruger nominated for election to the Kruger Products Board. At such time when the Corporation only has one nominee on each of these committees, the two Kruger nominees on the Kruger Products Compensation Committee and one of the Kruger nominees on the Kruger Products Governance Committee may be current or past members of the board of directors or employees of Kruger (the other Kruger nominee on the Kruger Products Governance Committee must be independent of Kruger). This could lead to conflicts of interest, real or perceived, at the board, board committee or management level where the interests of Kruger may differ from those of Kruger Products.

Kruger will have significant influence over Kruger Products even if it significantly reduces its ownership interest in Kruger Products. In addition to controlling the Kruger Products Board for so long as the Kruger Aggregate Ownership Interest is equal to or greater than 50%, certain actions proposed to be taken by Kruger Products, as listed

under “Material Contracts —Material Contracts of the Corporation — Shareholders’ Agreement”, require the consent of Kruger for so long as it is a shareholder under the Shareholders’ Agreement (although pursuant to the Exchange Agreement, the Corporation will be entitled to require the exchange of all of Kruger’s Kruger Products Shares for Common Shares if Kruger’s Aggregate Ownership Interest falls below 20%).

#### *Kruger Products’ Reliance on Kruger*

Kruger Products depends on Kruger to provide certain management and support services pursuant to the Management Services Agreement. In order to provide the services required under the Management Services Agreement effectively, Kruger will need to continue to retain qualified management and employees. There is no assurance that Kruger will be able to do so. In addition, Kruger Products has historically benefitted from Kruger’s expertise in the paper industry and its significant resources. There is no assurance that Kruger will continue to have such assets in the future or that Kruger Products will continue to be provided with access to them.

Kruger Products benefits from Kruger’s purchasing power as it obtains many of its supplies and services pursuant to master supply or service agreements negotiated and entered into by Kruger (or one of its affiliates) for the benefit of itself and certain of its subsidiaries. There can be no assurance that Kruger Products will continue to benefit from Kruger’s purchasing power in the future.

Under certain circumstances Kruger may terminate its relationship with Kruger Products and the Corporation if, for example, it seeks to monetize its investment in Kruger Products.

#### *Consequences of an Event of Insolvency Relating to Kruger*

Kruger is a holding company providing management services to its subsidiaries. Its subsidiaries operate in industries that are capital intensive and require a high level of cash flow. Certain of these industries are cyclical and from time to time experience, and are presently experiencing, difficulties that may materially adversely affect the financial condition of Kruger.

Pursuant to the terms of its indebtedness, Kruger has granted liens on its Kruger Products Shares. Kruger has advised that it regularly reviews its level of debt and compliance with its covenants to confirm that it is not in default or close to defaulting. While Kruger has advised that it is currently in compliance with the terms of its indebtedness, there can be no assurance that Kruger will not default on the terms of its indebtedness in the future and, in such case, that the creditors of Kruger will not realize on their security on the Kruger Products Shares, potentially resulting in a change of control of Kruger Products. A change of control of Kruger Products may, among other consequences, give rise to events of default under Kruger Products’ credit facilities.

In the event of bankruptcy or insolvency proceedings by or against Kruger, the rights and recourses of the Corporation against Kruger under the terms of the Shareholders’ Agreement or other agreements may be stayed, unenforceable or terminated.

In the event of a bankruptcy of Kruger under the Bankruptcy and Insolvency Act (Canada), those rights of the Corporation under the Shareholders’ Agreement which may negatively affect the value of the Kruger’s Kruger Products Shares, to the prejudice of creditors of Kruger, may not be enforceable against the bankruptcy trustee.

In the event of proceedings under the Companies’ Creditors Arrangement Act (Canada) (“CCAA”) involving Kruger, the rights of the Corporation against Kruger under the Shareholders’ Agreement will be stayed. Moreover, the CCAA may allow Kruger to terminate its obligations under the Shareholders’ Agreement and sell its Kruger Products Shares free and clear of claims and rights under the Shareholders’ Agreement.

A default by Kruger under its indebtedness or bankruptcy or insolvency proceedings involving Kruger or its affiliates may have a material adverse effect on the Corporation and the value and market price of the Common Shares.

### *Risks Associated with the ownership of the TAD Sherbrooke Project*

Kruger Products may cease to indirectly hold a 100% interest in KPSI, the entity that constructed and that operates the TAD Sherbrooke Project. Kruger Products has at its discretion, a priority right to make any required monthly redemption payment to IQ under the KPSI IQ Debenture. If Kruger Products does not exercise its priority right to make any required monthly redemption payment to IQ commencing 36 months from the date of issuance of the KPSI IQ Debenture and Kruger instead makes such payment pursuant to the KPSI Repayment Agreement, Kruger will receive common shares of KPSI as consideration for such payment. Through redemption payments made to date, Kruger holds approximately 13.5% of KPSI. If neither Kruger Products nor Kruger make any required monthly redemption payment, IQ may require that an equivalent portion of the KPSI IQ Debenture be converted into common shares of KPSI.

### *Risks Associated with the operation of the TAD Sherbrooke Project*

In November 2022, Kruger Products received a notice of non-compliance from the Quebec Ministry of Environment (the “Ministry”) alleging that noise emitted exceeded the limit values set out in its ministerial authorization for the TAD Sherbrooke plant and contravened the *Environment Quality Act (“EQA”)*. The Ministry requested that measures be implemented without delay in order to ensure compliance with these requirements. Kruger Products Management reviewed the noise measurement reports prepared by the Ministry and believes that it is in compliance. In November 2023, Kruger Products received another notice of non-compliance from the Ministry alleging that noise emitted exceeded the limits set out in *EQA*. Although we have a difference of opinion with the Ministry, Kruger Products continues to make efforts to improve our environmental performance. We have identified additional remedial actions that we can take to better control the noise being emitted from our plant. An action plan will be finalized once a feasibility study has been completed.

### *Risks Associated with the Sherbrooke Expansion Project*

Kruger Products may be unable to complete the Sherbrooke Expansion Project on time and on budget, and it may never achieve its projected capacity. Risks related to the Sherbrooke Expansion Project include, among others:

- despite the fact that key agreements related to the construction of the project will contain caps on cost and liquidated damages in case of delays, there is no assurance that the Sherbrooke Expansion Project will be completed within the contemplated timeframe or in accordance with anticipated costs or that recourse against the suppliers under such agreements, if available, will be sufficient to cover damages suffered by Kruger Products or its subsidiaries;
- there is no assurance that the start-up of the machine or converting lines will occur as anticipated, which could, among other things, result in lower levels of production or cost overruns associated with the start-up;
- the profitability of the Sherbrooke Expansion Project depends on, among other things, Kruger Products’ ability to sell forecasted volume at prices that are at or near current prices. There is no guarantee that Kruger Products will receive orders to meet expected volumes from the Sherbrooke Expansion Project at profitable pricing.

### *Operational Risks*

The operation of manufacturing facilities involves many risks, including: (i) the breakdown or failure of, and the necessity to repair, upgrade or replace, machines or other manufacturing equipment, transmission lines or other equipment, structures or processes; (ii) the inability to secure critical or back-up parts for manufacturing equipment on a timely basis; (iii) fire, flood, explosion or other property damage; (iv) an inability to obtain adequate supplies, site control, operation and maintenance and other site services; (v) performance of manufacturing equipment below expected levels; (vi) interruption of electricity or other critical supplies; (vii) compliance with all operating permits and licences under applicable laws and regulations; (viii) an inability to retain, at all times, adequate skilled personnel; and (ix) an inability to maintain operations due to compliance with instructions of public health authorities as a result of a health crisis or otherwise, the occurrence of any of which could have a material adverse effect on Kruger Products,

including a shut-down of a manufacturing facility or reduction in its manufacturing capacity or capability to supply products. To the extent that manufacturing equipment requires significant unexpected capital and other operation and maintenance expenditures, requires longer-than-forecasted down times for maintenance and repair, experiences interruptions due to equipment failure or suffers disruptions, Kruger Products' manufacturing cost will be increased and/or Kruger Products' revenues may be negatively affected.

#### *Significant Increases in Input Costs*

Although Kruger Products believes that the supplies of raw materials, services and other inputs needed to manufacture its products are adequate, increases in the prices for raw materials, including pulp, the cost of energy, transportation and other necessary services (without corresponding increases in Kruger Products' selling prices), supplier constraints, an inability to maintain favourable supplier arrangements and relations or an inability to avoid disruptions in production output caused by events such as natural disasters, global health crises, power outages, labour strikes, and the like could have an adverse effect on Kruger Products' financial results.

Cellulose fibre, in the form of mechanical or kraft hardwood and softwood pulps, including eucalyptus pulp, or recycled fibre from recovered waste paper, is used extensively in Kruger Products' tissue products and is subject to significant price fluctuations due to the cyclical nature of these fibre markets. Increases in pulp prices could adversely affect Kruger Products' earnings if selling prices for its finished products are not adjusted or if these adjustments significantly trail the increases in pulp prices.

Kruger Products' manufacturing operations utilize electricity and natural gas. Substantial changes in the price or availability of energy sources could have an adverse effect on Kruger Products' financial results.

Kruger Products relies in part on retailer discounts in order to maintain market share over private label products. The discounting policies of retailers may change in the future.

#### *Reduction in Supply of Fibre*

Although Kruger Products believes that the supply of recycled fibre is adequate, a significant reduction in the supply of recycled fibre at reasonable prices could have an adverse effect on Kruger Products' financial results.

#### *Increased Pricing Pressure and Intense Competition*

Kruger Products competes in highly competitive markets against well-known, branded products and low-cost or private label products. Inherent risks in Kruger Products' competitive strategy include uncertainties concerning trade and consumer acceptance, the effects of consolidation within retailer and distribution channels, and competitive reaction. Kruger Products' competitors include not only its traditional competitors, but also private label manufacturers, low-cost manufacturers and rapidly expanding international manufacturers. These competitors may have greater financial resources and greater market penetration, which enable them to offer a wider variety of products and services at lower prices. Alternatively, some of these competitors may have significantly lower product development and manufacturing costs, allowing them to offer products at a lower cost. The actions of these competitors could adversely affect Kruger Products' financial results. It may be necessary for Kruger Products to lower prices on its products and increase spending on advertising and promotions, each of which could adversely affect Kruger Products' financial results. Certain U.S. competitors benefiting from an exchange rate advantage may decide to enter the Canadian market and thereby create further competition.

#### *Kruger Products' Inability to Innovate Effectively*

Kruger Products' ability to develop new products is affected by whether it can successfully anticipate consumer needs and preferences, develop and fund technological innovations, and receive and maintain necessary trademark protection. In addition, Kruger Products incurs substantial development and marketing costs when introducing new and improved products and technologies. The introduction of a new customer product (whether improved or newly developed) generally requires substantial expenditures relating to advertising and marketing to gain recognition in the market place. If a product gains consumer acceptance, it normally requires continued

advertising and promotional support to maintain its relative market position. Some of Kruger Products' competitors are larger and have greater financial and other resources. These competitors may be able to spend more aggressively on advertising and promotional activities, introduce competing products more quickly and respond more effectively to changing business and economic conditions. There is no guarantee that Kruger Products will be successful in developing new and improved products and technologies necessary to compete successfully in the industry or that it will be successful in advertising, marketing, timely launching and selling its products.

#### *Adverse Economic Conditions*

Unfavourable economic conditions, including the impact of recessions, slow economic growth, inflationary conditions, economic and pricing instability and credit market volatility, may negatively affect Kruger Products' business and financial results. These economic conditions could negatively impact:

- consumer demand for Kruger Products' products, including shifting consumer purchasing patterns to lower-cost options such as private label products;
- demand by businesses for Kruger Products' products, including cost savings efforts of those customers;
- the mix of products' sales; and
- Kruger Products' ability to collect accounts receivable on a timely basis from certain customers.

Prolonged recession, slow economic growth or credit market disruptions could result in decreased revenue, margins and earnings.

#### *Dependence on Key Retail Trade Customers*

Kruger Products' products are sold in a highly competitive marketplace, which is experiencing increased concentration and the growing presence of large format retailers and discounters. With the consolidation of the Canadian retail trade, pressure on higher trade discounts or allowances could lead to reduced profitability. Such customers may use this leverage to demand higher trade discounts or allowances which could lead to reduced profitability. Kruger Products may also be negatively affected by changes in the policies of its retail trade customers, such as inventory de-stocking, limitations on access to shelf space, delisting of Kruger Products products, additional requirements relating to safety, environmental, social and other sustainability issues, and other conditions. Kruger Products also faces greater concentration of credit risk from exposure to key customers. If Kruger Products loses a significant customer or if sales of its products to a significant customer materially decrease, or if a significant customer becomes insolvent, Kruger Products' business, financial condition and results of operations may be materially adversely affected.

#### *Damage to the Reputation of Kruger Products or Kruger Products' Brands*

Developing and maintaining the reputation of Kruger Products and its brands is a critical factor in its relationship with customers, suppliers and others. Kruger Products' ability to address adverse publicity or other issues, including concerns about product quality, efficacy or similar matters, real or perceived, could negatively impact sentiments towards Kruger Products and its products, and Kruger Products' business and financial results could suffer. Kruger Products' business and results could also be negatively impacted by the effects of a significant product recall, product related litigation, allegations of product tampering or the distribution and sale of counterfeit products.

#### *Kruger Products' Sales Being Less than Anticipated*

There is no guarantee that Kruger Products will be able to anticipate consumer preferences, estimate sales of new products, estimate changes in population characteristics and the acceptance of its products in new markets or anticipate changes in technology and competition. As a result, Kruger Products may not be able to achieve anticipated sales.



Furthermore, as manufacturers move to satisfy an increasing demand for high quality private label products, there is a risk that the demand for lower quality products will decrease, leading to downward pricing pressure in that grade, which could more than offset the benefit to Kruger of an increased demand for higher grade production.

#### *Kruger Products' Failure to Implement its Business and Operating Strategies*

Kruger Products may not be able to implement its business and operating strategies or realize their anticipated results without incurring significant costs. In addition, Kruger Products' ability to successfully implement these strategies could be adversely affected by a number of factors beyond Kruger Products' control, including operating difficulties, general and local economic conditions, increased competition, technological change and other factors described in this "Risk Factors" section. Kruger Products' business may not develop in ways that it currently anticipates if industry trends do not continue and it may also be required to make capital expenditures in excess of those originally planned, which may affect its ability to implement Kruger Products' business strategies should it be unable to secure additional financing on acceptable terms or generate sufficient funds internally to cover these requirements. If an increased private label market share were to develop in Canada as it has in the United States, Kruger Products' ability to leverage its strong brands in Canada could be adversely affected. Any material failure to implement Kruger Products' strategies could have a material adverse effect on Kruger Products' business, results of operations, cash flows, financial condition and Kruger Products' ability to meet its obligations, including its ability to service its debt obligations. See "Kruger Products' Inability to Service All of its Indebtedness" below.

#### *Kruger Products' Obligation to Make Regular Capital Expenditures*

Kruger Products' strategy of sustaining its leadership position and competitiveness in the North American tissue industry requires significant capital investments in its business. There is no assurance that Kruger Products or its subsidiaries will be able to obtain the funds necessary to finance its capital improvement programs, acquisitions or other capital expenditure requirements, whether through internally generated funds, additional borrowing or other sources. Numerous agreements in respect of indebtedness of Kruger Products contain restrictions on Kruger Products' ability to borrow funds and to make certain capital expenditures. If Kruger Products is unable to obtain financing on acceptable terms, it may not be able to implement its business strategies and effect capital expenditures required to maintain its position, and its business, results of operations, cash flows and financial condition could be adversely affected.

#### *Kruger Products' Entering into Unsuccessful Acquisitions*

Acquisitions of complementary businesses and development of strategic alliances may be part of Kruger Products' overall business strategy. Businesses of acquired companies may not be effectively assimilated into Kruger Products' business offerings and alliances may not be successful.

#### *Kruger Products' Dependence on Key Personnel*

Kruger Products' success depends to a large extent upon the continued services of its senior management and its ability to attract and retain skilled employees. There is intense competition for qualified management and skilled employees, and Kruger Products' failure to recruit, train and retain such employees could have a material adverse effect on Kruger Products' business, results of operations, cash flows and financial condition. In addition, to implement and manage Kruger Products' businesses and operating strategies effectively, Kruger Products must maintain a high level of efficiency and performance, continue to enhance its operational and management systems, and continue to successfully attract, train, motivate and manage its employees. If Kruger Products is not successful in these efforts, it may have a material adverse effect on its business, results of operations, cash flows and financial condition.

#### *Kruger Products' Inability to Retain its Existing Customers or Obtain New Customers*

Kruger Products' business depends to a large degree on its arrangements and relationships with its customers. Kruger Products has few long-term customer agreements, instead operating primarily by way of purchase orders. The agreements that Kruger Products has entered into with its customers can generally be terminated by the customer at

any time. Kruger Products does not have a long-term agreement with any of these customers. The loss of some or all of the business from any one of these customers would have an adverse effect on Kruger Products' business. If Kruger Products is unable to maintain its existing customer relationships or obtain additional customers, its business, results of operations, cash flows and financial condition will be adversely affected.

#### *Kruger Products' Loss of Key Suppliers*

Kruger Products is dependent on the supply at reasonable prices of pulp, waste paper, electricity and natural gas, packaging services and other products and services for the operation of its business. Kruger Products' arrangements with certain key suppliers include only short-term contracts or are not formally documented at all, and in some cases Kruger Products and its suppliers may operate by way of purchase orders only. If a key supplier ceases carrying on business, or otherwise ceases to supply or provide services to Kruger Products at reasonable prices in the absence of a contractual obligation to continue to do so, Kruger Products' business could be adversely affected.

#### *Kruger Products' Failure to Adequately Protect its Intellectual Property Rights*

Although Kruger Products attempts to protect its trademarks and other intellectual property through trademarks, patents, trade secrets, copyrights, confidentiality and non-disclosure agreements and other measures, these measures may not be adequate to protect its intellectual property or obtain sufficient rights to third party intellectual property. A failure by Kruger Products to adequately protect its intellectual property may materially and adversely affect its business, results of operations, cash flows and financial condition. Furthermore, Kruger Products may be subject to claims regarding its intellectual property rights or claims to the effect that its activities, brands or technology infringes the intellectual property rights of another. Even if without merit, those claims could result in costly and prolonged litigation, diverting management's attention and potentially materially and adversely affecting Kruger Products' business, results of operations, cash flows and financial condition.

#### *Kruger Products' Reliance on Third Party Intellectual Property Licences*

Kruger Products licences intellectual property from third parties for use in its business, including the Scotties trademark. Reliance on contractual licences carries inherent risks, including the adequacy of the rights obtained, the risk of non-compliance by Kruger Products with the terms of the licence and the failure of the third party to adequately protect the underlying intellectual property. Inadequacy or loss of licence rights to such third party intellectual property could materially and adversely affect Kruger Products' business, results of operations, cash flows and financial condition.

#### *Adverse Litigation and Other Claims Affecting Kruger Products*

In the normal course, Kruger Products is involved in various legal proceedings and other claims relating to its assets, employees, products and the conduct of its business. Although, in the opinion of Kruger Products Management, the outcome of any currently pending claims and other litigation is not expected to have a material adverse effect on Kruger Products' reputation, business, results of operations, cash flows and financial condition, a negative outcome in respect of any such claim or litigation could have such an adverse effect. Moreover, the cost of defending against lawsuits and diversion of Kruger Products Management's attention could be significant. See "Legal Proceedings".

#### *Material Expenditures Due to Comprehensive Environmental Regulation Affecting Kruger Products' Cash Flow*

Kruger Products is subject to environmental laws and regulations imposed by various governments and regulatory authorities in jurisdictions where it operates. These environmental laws and regulations impose stringent standards on Kruger Products, regarding, among other things:

- air and noise emissions;
- water discharges;

- use and handling of hazardous materials;
- use, handling and disposal of waste; and
- remediation of environmental contamination.

Kruger Products' failure to comply with applicable environmental laws, regulations or permit requirements may result in civil or criminal fines, penalties or enforcement actions. These may include regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, the installation of pollution control equipment or remedial actions, any of which could entail significant expenditures. It is difficult to predict the future development of such laws and regulations or their impact on future earnings and operations, but these laws and regulations may require capital expenditures to ensure compliance. In addition, amendments to, or more stringent implementation of, current laws and regulations governing Kruger Products' operations could have a material adverse effect on its business, operating results or financial position. Furthermore, although Kruger Products generally tries to plan for capital expenditures relating to environmental and health and safety compliance on an annual basis, actual capital expenditures may exceed those estimates. In such an event, Kruger Products may be forced to curtail other capital expenditures or other activities. In addition, the enforcement of existing environmental laws and regulations has become increasingly strict. Kruger Products may discover currently unknown environmental problems or conditions in relation to its past or present operations, or may face unforeseen environmental liabilities in the future. These conditions and liabilities may:

- require site remediation or other costs to maintain compliance or correct violations of environmental laws and regulations; or
- result in governmental or private claims for damage to person, property or the environment.

Either of these could have a material adverse effect on Kruger Products' business, financial condition or operating results.

Kruger Products may be subject to strict liability and, under specific circumstances, joint and several (solidary) liability for the investigation and remediation of soil, surface and groundwater contamination, including contamination caused by other parties, at properties that Kruger Products owns or operates, and at properties where Kruger Products or its predecessors have arranged for the disposal of regulated materials.

*Kruger Products' Pension Obligations are Significant and can be Materially Higher than Predicted if Kruger Products Management's Underlying Assumptions Are Incorrect*

Kruger Products has significant pension liabilities under its defined benefit pension arrangements. Economic fluctuations could adversely impact the funding and expense associated with the defined benefit pension arrangements which Kruger Products sponsors. There can be no assurance that the pension expense and funding of its defined benefit pension arrangements will not increase in the future thereby negatively impacting results of operations or cash flows. There is no assurance the plans will be able to earn the assumed rate of return. While Kruger Products Management works diligently with its actuaries to determine best estimates, there are no guarantees as to actual results, because actuarial valuations are estimates only.

*Labour Disputes Adversely Affecting Kruger Products' Cost Structure and Kruger Products' Ability to Run its Plants*

Kruger Products has approximately 2,800 employees, the majority of whom are employed in Kruger Products' manufacturing facilities. Approximately 75% of Kruger Products' employees are unionized under six separate collective bargaining agreements. Kruger Products' inability to negotiate acceptable contracts with these unions upon the expiration of an existing contract could result in strikes or work stoppages by the affected workers and increased operating costs as a result of higher wages or benefits paid to union members. If the unionized workers were to engage in a strike or another form of work stoppage, Kruger Products could experience a significant disruption in operations or higher labour costs, which could have a material adverse effect on Kruger Products' business, financial condition, results of operations and cash flows. Kruger Products generally begins the negotiation process several months before agreements are due to expire. Kruger Products may not be successful on negotiating new agreements

on satisfactory terms, if at all. To date all collective agreements have been successfully renewed within mandate without any work disruption of any kind.

#### *Exchange Rate and U.S. Competitors*

Fluctuations in the value of the Canadian dollar against the U.S. dollar has a direct impact on export prices to the United States and also on certain input costs that are tied to the U.S. dollar (such as pulp). In some cases, the currency of Kruger Products' sales does not match the currency in which it incurs costs, which can negatively affect Kruger Products' profitability. Fluctuations in exchange rates can also affect the relative competitive position of a particular facility, where the facility faces competition from non-local producers (especially U.S. facilities that may benefit from a strong Canadian dollar which make imports of U.S. products more attractive to Canadian customers, which in turn may lead to market share gains for U.S. competitors), as well as Kruger Products' ability to successfully market its products in the United States. As a result, material changes in the value the Canadian dollar can affect the profitability of Kruger Products' facilities, which could lead Kruger Products to shut down facilities either temporarily or permanently, all of which could adversely affect its business or financial results or in the case of a weak Canadian dollar, create high risk that cash flows generated will be insufficient or that covenants in credit facilities could be affected (see also "Covenant Compliance" below).

#### *Kruger Products' Inability to Service All of its Indebtedness*

Kruger Products' and its subsidiaries' operations are subject to contractual restrictions contained in the instruments governing any of their current and future indebtedness. The level of indebtedness could have important consequences to Kruger Products and its subsidiaries, including: (i) Kruger Products' and its subsidiaries' ability to obtain refinancing or additional financing for working capital, capital expenditures, acquisitions or other project developments in the future may be limited; (ii) a significant portion of Kruger Products' and its subsidiaries' cash flows from operations may be dedicated to the payment of the principal of and interest on their indebtedness, thereby reducing funds available for future operations or capital expenditures; (iii) certain of the Kruger Products' and its subsidiaries' borrowings will be at variable rates of interest, which exposes Kruger Products and its subsidiaries to the risk of increased interest rates; and (iv) Kruger Products and its subsidiaries may be more vulnerable to economic downturns and be limited in their ability to withstand competitive pressures. Default on certain indebtedness by Kruger Products could result in default on other indebtedness due to cross-default provisions in the terms governing that indebtedness.

#### *Exposure to Potential Consumer Product Liability*

Kruger Products' business involves the manufacture and sale of consumer products, which carries inherent risks of consumer product liability claims, including class actions, business interruption and product recalls. Such events can result in material liabilities, costs, loss of revenue and damage to brands, which may not be adequately covered by insurance maintained by Kruger Products.

#### *Covenant Compliance*

Kruger Products and its subsidiaries are subject to operating and financial restrictions through covenants in certain loan and security agreements. These restrictions may prohibit or limit Kruger Products' and its subsidiaries' ability to, among other things, incur additional debt, provide guarantee for indebtedness, create liens, dispose of assets, liquidate, dissolve, amalgamate, consolidate or effect any corporate or capital reorganization, make cash distributions or pay dividends, issue any equity interests and create subsidiaries. These restrictions may limit Kruger Products' and its subsidiaries' ability to obtain refinancing or additional financing, withstand downturns in Kruger Products' and its subsidiaries' business and take advantage of business opportunities. Moreover, Kruger Products and its subsidiaries may be required to seek additional debt financing on terms that include more restrictive covenants, require repayments on an accelerated schedule or impose other obligations that limit Kruger Products' or its subsidiaries' ability to grow the business, acquire needed assets or take other actions Kruger Products or its subsidiaries might otherwise consider appropriate or desirable.

Many of the above-mentioned risks are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond Kruger Products' control, including fluctuations in interest rates, changes in exchange rates, market liquidity conditions, increased operating costs, and trends in Kruger Products' industry. If Kruger Products' cash flows and capital resources are insufficient to fund its debt service obligations, Kruger Products may be forced to reduce or delay capital expenditures, sell assets, seek additional capital, or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit Kruger Products to meet its scheduled debt service obligations. In such circumstances, Kruger Products could face substantial liquidity problems and might be required to dispose of material assets or operations to meet its debt service and other obligations.

In addition, certain agreements in respect of indebtedness of Kruger Products contain a number of financial covenants that require Kruger Products to meet certain financial ratios and financial condition tests. Kruger Products may not be able to comply with such covenants. A failure to comply with the obligations in such agreements could result in a default, which, if not cured or waived, could permit acceleration of the relevant indebtedness.

#### *Interest Rate and Refinancing Risk*

Interest rate fluctuations are of particular concern to businesses in the capital-intensive tissue industry. Kruger Products faces interest rate and debt refinancing risk in respect of its credit facilities. Kruger Products' ability to refinance debt on favourable terms is dependent on debt capital market conditions, which are inherently variable and difficult to predict. If Kruger Products is unable to refinance its debt on favourable terms, its business and financial condition and its ability to declare dividends may be adversely affected.

#### *Information Technology*

Kruger Products has made significant investments in information technology and relies on its information systems to support its operations. In the event that irreparable damage is caused to Kruger Products' information systems and databases or the information contained in its information systems is lost, Kruger Products' operational ability would be impaired and its ability to provide service to its customers would be compromised. Kruger Products relies on an outsourced service provider for a significant portion of its information, operation, infrastructure and help desk services. If such service provider were no longer able to provide such services, it could take Kruger Products up to six months or more to transition to another outsource service provider. Kruger Products' business could be adversely affected in such a scenario.

#### *Cyber-security*

Kruger Products' business operations rely upon secure information technology systems for data capture, processing, storage and reporting. Despite security and controls design, implementation and updating, its information technology systems could become subject to cyber-attacks. Any resulting unauthorized access to, or misappropriation and misuse of, sensitive or confidential client, personal or corporate information could cause the release or loss of data or cause a loss of sales, severely disrupt, divert management's attention or otherwise affect business operations and give rise to costly litigation, regulatory fines or penalties. Cyber-attacks of our information network system could materially adversely affect Kruger Products' business, results of operations, cash flows and financial condition and damage Kruger Products' reputation and goodwill.

#### *Insurance*

Kruger Products' operations are subject to risks normally inherent in a manufacturing industry, including potential liability which could result from, among other circumstances, personal injury or property damage. The availability of, and ability to collect on, insurance coverage is subject to factors beyond the control of Kruger Products. In addition, Kruger Products may become subject to liability hazards in circumstances where it cannot or may elect not to insure (because of high premium costs or other reasons), or for occurrences which exceed maximum coverage under its policies. Kruger Products has no control over changing conditions and pricing in the insurance marketplace and the cost or availability of various types of insurance may change dramatically in the future. To the extent these costs cannot be passed on to Kruger Products' customers through rate increases, increases in insurance costs could

reduce future profitability. Furthermore, the inability to obtain insurance in the future for certain types of losses may require Kruger Products to limit the services it provides or the areas in which it operates, thereby reducing the revenues of Kruger Products. Lastly, the occurrence of a significant uninsured loss could have a material adverse effect upon Kruger Products.

#### *Internal Controls*

Effective internal controls are necessary for Kruger Products to provide reliable financial reports and to help prevent fraud. Although Kruger Products will follow a number of procedures in order to help ensure the reliability of its financial reports, including those required under Canadian securities laws, the Corporation and Kruger Products cannot be certain that such measures will ensure that Kruger Products will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could affect the accuracy of the financial statements or cause them to fail to meet or delay meeting their respective reporting obligations. If Kruger Products, its auditors or a regulatory authority discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Corporation's financial statements and/or Kruger Products' consolidated financial statements and harm the trading price of Common Shares.

#### *Trade Related*

Kruger Products is exposed to certain trade related risks. NAFTA was a comprehensive trade agreement that placed parameters around the rules of cross-border trade and investment among Canada, the United States, and Mexico. NAFTA systematically eliminated most tariff and non-tariff barriers to free trade and investment among the three NAFTA countries. Approximately 43.0% of Kruger Products' consolidated revenue for 2023 was in the United States. NAFTA was replaced by a new trade agreement known as the U.S.-Mexico-Canada Agreement ("USMCA"), adopted in all three countries and effective July 1, 2020. The USMCA does not re-impose tariff or non-tariff barriers on the products produced by Kruger Products but could increase the risk of the United States imposing applicable tariffs on the grounds of a perception of a national security justification.

### **INTERESTS OF EXPERTS**

The Corporation's current auditors are PricewaterhouseCoopers LLP ("PwC"). PwC has informed us that it is independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of Chartered Professional Accountants of Ontario.

Kruger Products' current auditors are PwC. PwC has informed us that it is independent with respect to Kruger Products within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

### **PROMOTERS**

Kruger Products may be considered to be a promoter of the Corporation within the meaning of applicable securities legislation by reason of its initiative in founding and organizing the business and affairs of the Corporation. Kruger was considered to be a promoter of the Corporation within the meaning of applicable securities legislation by reason of its initiative in founding and organizing the business and affairs of the Corporation. Kruger owns one Common Share.

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

The Corporation is from time to time involved in legal proceedings and regulatory actions of a nature considered normal to its business. Since the beginning of the Corporation's most recently completed financial year, there have been no legal proceedings to which the Corporation is or was a party or of which any of its property is or was the subject of that involves claims for damages that exceeds 10% of the Corporation's current assets, nor are any such proceedings known to the Corporation to be contemplated.

Kruger Products is from time to time involved in legal proceedings and regulatory actions of a nature considered normal to its business. Since the beginning of Kruger Products' most recently completed financial year, there have been no legal proceedings to which Kruger Products is or was a party or of which any of its property is or was the subject of that involves claims for damages that exceeds 10% of Kruger Products' current assets, nor are any such proceedings known to the Corporation or Kruger Products to be contemplated.

#### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Within the last three years, no director, executive officer or person that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the outstanding voting securities of the Corporation or any associate or affiliate of the foregoing has, or has had, any material interest, direct or indirect, in any transaction prior to the date of this Annual Information Form or any proposed transaction that has materially affected, or is reasonably expected to materially affect, the Corporation or any of its affiliates, except as disclosed elsewhere in this Annual Information Form.

Within the last three years, no director, executive officer or person that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the outstanding voting securities of Kruger Products or any associate or affiliate of the foregoing has, or has had, any material interest, direct or indirect, in any transaction prior to the date of this Annual Information Form or any proposed transaction that has materially affected, or is reasonably expected to materially affect, Kruger Products or any of its affiliates, except as disclosed elsewhere in this Annual Information Form.

#### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of the Corporation and Kruger Products are Pricewaterhouse Coopers LLP, 18 York Street, Suite 2600, Toronto, Ontario M5J 0B2.

The transfer agent and registrar for the Common Shares is TSX Trust Company at its main offices in Montreal and Toronto.

#### **ADDITIONAL INFORMATION**

Additional Information relating to the Corporation may be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

Additional information, including, without limitation, directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, if applicable, will be contained in the Corporation's management information circular to be mailed and filed in connection with its annual meeting of shareholders scheduled to be held on June 11, 2024.

Additional financial information is provided in the audited financial statements of the Corporation, the audited consolidated financial statements of Kruger Products and Kruger Products Management's discussion and analysis of Kruger Products for the year ended December 31, 2023, available under the Corporation's profile on [www.sedarplus.ca](http://www.sedarplus.ca).

## GLOSSARY OF TERMS

“**2025 Indenture**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — Trust Indenture – Senior Unsecured Notes due April 24, 2025”.

“**2025 Notes**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — Trust Indenture – Senior Unsecured Notes due April 24, 2025”.

“**2029 Indenture**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — Trust Indenture – Senior Unsecured Notes due April 9, 2029”.

“**2029 Notes**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — Trust Indenture – Senior Unsecured Notes due April 9, 2029”.

“**Additional Sherbrooke Expansion Project Financing**” has the meaning attributed to it under “General Development of the Business – Three Year History of Kruger Products – 2023 – Financing”

“**Administration Agreement**” has the meaning attributed to it under “Material Contracts of the Corporation”.

“**Administrator**” means Kruger Products, in its capacity as administrator of the Corporation pursuant to the Administration Agreement.

“**AFH**” means Away-From-Home.

“**AgCredit Agreement**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — AgCredit Agreement”.

“**AgCredit Facilities**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — AgCredit Agreement”.

“**AIM**” has the meaning attributed to it under “The Business of Kruger Products – Product Development”

“**BT Line**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — IQ Bathroom Tissue Credit Agreement”.

“**BT Line Commissioning Date**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — IQ Bathroom Tissue Credit Agreement”.

“**CCAA**” means Companies’ Creditors Arrangement Act.

“**CDP**” has the meaning attributed to it under “The Business of Kruger Products – Sustainability Platform – Governance”

“**Charter of the Corporation Audit Committee**” has the meaning attributed to it under “Audit Committee Information Regarding the Corporation — Charter of the Audit Committee”.

“**Charter of the Kruger Products Audit Committee**” has the meaning attributed to it under “Audit Committee Information Regarding Kruger Products — Charter of the Audit Committee”.

“**Common Shares**” means the common shares of the Corporation.

“**Contribution**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — Contribution Undertaking Agreement”.

“**Corporation**” means KP Tissue Inc.



“**Corporation Aggregate Ownership Interest**” has the meaning attributed to it under “Material Contracts — Material Contracts of the Corporation — Shareholders’ Agreement — Kruger Board Representation”

“**Corporation Audit Committee**” has the meaning attributed to it under “Audit Committee Information Regarding the Corporation — Charter of the Audit Committee”.

“**Corporation Board**” means the board of directors of the Corporation.

“**Corporation DRIP**” has the meaning attributed to it under “Dividend Policy — Dividend Reinvestment Plan of the Corporation”.

“**DEI**” means diversity, equity and inclusion.

“**Drag-Along Right**” has the meaning attributed to it under “Material Contracts — Material Contracts of the Corporation — Shareholders’ Agreement — Drag-Along Right of Kruger”.

“**Director Nomination Right**” has the meaning attributed to it under “Material Contracts — Material Contracts of the Corporation — Shareholders’ Agreement — Kruger’s right to nominate a director of the Corporation”.

“**DRIP**” means Kruger Products’ Dividend Reinvestment Plan.

“**EKN**” means the Swedish Export Credits Guarantee Board.

“**EMS**” has the meaning attributed to it under “The Business of Kruger Products – Sustainability Platform – Governance”

“**Exchange Agreement**” has the meaning attributed to it under “The Business of the Corporation”.

“**FSC**” means Forest Stewardship Council.

“**FT Line**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — IQ Facial Tissue Credit Agreement”.

“**Gatineau Plant**” means Kruger Products’ paper plant located on Laurier Street in Gatineau, Québec.

“**Guarantors**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — Trust Indenture – Senior Unsecured Notes due April 24, 2025” and “Material Contracts — Material Contracts of Kruger Products — Trust Indenture – Senior Unsecured Notes due April 9, 2029”.

“**IQ Bathroom Tissue Credit Agreement**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — IQ Bathroom Tissue Credit Agreement”.

“**IQ Bathroom Tissue Loan**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — IQ Bathroom Tissue Credit Agreement”.

“**IQ Facial Tissue Credit Agreement**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — IQ Facial Tissue Credit Agreement”.

“**IQ Facial Tissue Loan**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — IQ Facial Tissue Credit Agreement”.

“**IQ**” means Investissement Québec.

“**KBLP**” means Kruger Brompton L.P.

“**KPGP**” means KPGP Inc.

“**Kruger Products**” means Kruger Products Inc.

“**Kruger Products Audit Committee**” has the meaning attributed to it under “Audit Committee Information Regarding Kruger Products — Composition of the Audit Committee”.

“**Kruger Products Board**” means the board of directors of Kruger Products.

“**Kruger Products Contribution Undertaking Agreement**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — Contribution Undertaking Agreement”.

“**Kruger Products DRIP**” has the meaning attributed to it under “Dividend Policy — Dividend Reinvestment Plan of Kruger Products”.

“**Kruger Products Management**” means the management of Kruger Products.

“**Kruger Products Senior Credit Agreement**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — Kruger Products Senior Credit Agreement”.

“**Kruger Products Senior Credit Facility**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — Kruger Products Senior Credit Agreement”.

“**Kruger Products Shares**” means the class B common shares of Kruger Products.

“**KPLP**” means Kruger Products L.P.

“**KPREH**” means Kruger Products Real Estate Holdings Inc.

“**KPSB**” means Kruger Products SB Inc.

“**KPSB Construction Facility**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — KPSB Senior Credit Agreement”.

“**KPSB IQ Debenture**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — KPSB IQ Debenture”.

“**KPSB Revolving Facility**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — KPSB Senior Credit Agreement”.

“**KPSB Senior Credit Agreement**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — KPSB Senior Credit Agreement”.

“**KPSI**” means Kruger Products Sherbrooke Inc.

“**KPSI Repayment Agreement**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — KPSI IQ Debenture”.

“**Kruger**” means Kruger Inc.

“**Kruger Aggregate Ownership Interest**” has the meaning attributed to it under “Material Contracts — Material Contracts of the Corporation — Shareholders’ Agreement — Kruger Products Board Representation”.

“**Kruger Trademark License**” has the meaning attributed to it under “The Business of Kruger Products — Commercial Relationship Between Kruger and Kruger Products”.

“**KTG**” means K.T.G. (USA) Inc.

“**KTG Facility**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — AgCredit Agreement”.

“**LDC**” means light dry crepe.

“**LDC Machine**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — KPSB IQ Debenture”.

“**LDC Machine Commissioning Date**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — KPSB IQ Debenture”.

“**Management Services Agreement**” has the meaning attributed to it under “The Business of Kruger Products — Commercial Relationship Between Kruger and Kruger Products”.

“**Memphis Plant**” has the meaning attributed to it under “General Development of the Business — Kruger Products — History”.

“**Memphis TAD Machine**” has the meaning attributed to it under “The Business of Kruger Products — Overview”.

“**NCC**” means National Capital Commission.

“**NI 52-110**” means National Instrument 52-110 — Audit Committees.

“**Non-Competition Agreement**” has the meaning attributed to it under “The Business of the Corporation”.

“**Nordea2 Credit Agreement**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — Nordea2 Credit Agreement”.

“**Nordea2 Credit Facility**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — Nordea2 Credit Agreement”.

“**P&G**” means Procter & Gamble.

“**Pre-Emptive Right**” has the meaning attributed to it under “Material Contracts — Material Contracts of the Corporation — Shareholders’ Agreement — Pre-Emptive Right to Acquire Kruger Products Shares”.

“**PwC**” means PricewaterhouseCoopers LLP.

“**Quebec PM Loan**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — Quebec PM Loan Agreement”.

“**Quebec PM Loan Agreement**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — Quebec PM Loan Agreement”.

“**Reorganization**” has the meaning attributed to it under “General Development of the Business – Three Year History of Kruger Products – 2023 – Corporate Reorganization”

“**Registration Rights Agreement**” has the meaning attributed to it under “The Business of the Corporation”.

“**Restricted Credit Parties**” has the meaning attributed to it under “Material Contracts – Material Contracts of Kruger Products – Kruger Products Senior Credit Agreement”.

“**RISI**” means Resources Information Systems Inc.

“**Scotties License**” has the meaning attributed to it under “The Business of Kruger Products — Intellectual Property”.

“**Senior Unsecured Notes due April 9, 2029**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — Trust Indenture – Senior Unsecured Notes due April 9, 2029”.

“**Senior Unsecured Notes due April 24, 2025**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — Trust Indenture – Senior Unsecured Notes due April 24, 2025”.

“**Shareholders’ Agreement**” has the meaning attributed to it under “General Development of the Business – Three Year History of Kruger Products – 2023 – Corporate Reorganization”

“**Share Sale Right**” has the meaning attributed to it under “Material Contracts — Material Contracts of the Corporation — Shareholders’ Agreement — Right of First Offer of the Corporation in Respect of Sale of Assets of Kruger Products”.

“**Sherbrooke Expansion Project**” has the meaning attributed to it under “General Development of the Business — Kruger Products — 2021 — Sherbrooke Expansion Project”.

“**SRC**” means single crepe.

“**TAD**” means through-air-dried.

“**TAD Sherbrooke Project**” means the project announced by Kruger Products on August 16, 2018 for a capital investment of \$575 million in the Brompton area of Sherbrooke, Quebec, to build a new, state-of-the-art tissue plant featuring Canada’s largest and most modern TAD paper machine along with related converting equipment and infrastructure. The project is forecasted to produce at maturity approximately 70,000 metric tonnes per annum of bathroom tissue and paper towels which will enable Kruger Products to increase its offering of ultra-premium and innovative tissue projects under the Cashmere, Sponge Towels and Purex brands and also enable expansion in the U.S. private label business. The project was successfully started up at the end of January 2021 and was completed on time and on budget.

“**TAD Sherbrooke Project Facility**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — AgCredit Agreement”.

“**Tax Act**” means the Income Tax Act (Canada), as amended, and the regulations thereunder.

“**Term C Credit Facility**” has the meaning attributed to it under “Material Contracts — Material Contracts of Kruger Products — AgCredit Agreement”.

“**Term D Credit Facility**” has the meaning attributed to it under “General Development of the Business — Kruger Products — 2022 — Financing Activity”.

“**TSX**” means The Toronto Stock Exchange.

“**WC**” means wet crepe.

## APPENDIX A – CHARTER OF THE CORPORATION AUDIT COMMITTEE

### KP TISSUE INC.

#### AUDIT COMMITTEE CHARTER

#### 1. DEFINITIONS

In this Charter:

“**Auditor**” means the external auditors of the Corporation;

“**Board**” means the board of directors of the Corporation;

“**Committee**” means the audit committee of the Board;

“**Corporation**” means KP Tissue Inc.;

“**KPLP**” means Kruger Products L.P.;

“**Management**” means the senior officers of the Corporation, who are also senior officers of KPLP carrying out the duties of KPLP in its role as administrator under the administration agreement entered into by KPLP and the Corporation; and

“**NI 52-110**” means National Instrument 52-110 *Audit Committees*.

#### 2. PURPOSE

Without prejudice to the specific duties of the Committee detailed below, the primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities for the financial reporting process and to oversee the Corporation’s relationship with the Auditor.

#### 3. SPECIFIC DUTIES

The Committee shall perform the following duties for the Corporation.

##### 3.1 Financial Disclosure Reporting

3.1.1 The Committee shall review and discuss with Management and the Auditor:

- (a) the Corporation’s annual audited financial statements and related documents prior to their filing or distribution, including;
  - (i) the annual financial statements, related footnotes and management’s discussion and analysis (“**MD&A**”), significant issues regarding accounting principles, practices and significant Management estimates and judgments, any significant changes in the Corporation’s selection or application of accounting principles, any major issues as to the adequacy of the Corporation’s internal controls and any special steps adopted in light of material control deficiencies;
  - (ii) the use of off-balance sheet financing including Management’s risk assessment and adequacy of disclosure;

- (iii) any significant changes to the Corporation's accounting policies; and
  - (iv) the Auditor's audit report on the financial statements; and
- (b) the Corporation's interim financial reports and related documents prior to their filing or distribution, including:
  - (i) interim financial reports and related documents, MD&A, significant issues regarding accounting principles, practices and significant Management estimates and judgments, any significant changes in the Corporation's selection or application of accounting principles, any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies;
  - (ii) if applicable, the Auditor's report of its review of the interim financial reports;
  - (iii) the use of off-balance sheet financing including Management's risk assessment and adequacy of disclosure; and
  - (iv) any significant changes to the Corporation's accounting policies.

3.1.2 The Committee shall review:

- (a) the Corporation's Annual Information Form, or other similar report filed with securities regulatory authorities, as to financial information;
- (b) any prospectus, offering memorandum and information circular of the Corporation as to financial information;
- (c) the Corporation's financial statements, MD&A and annual and interim earnings press releases before the Corporation discloses this information; and
- (d) any financial information contained in any other formal announcement or other document.

3.1.3 The Committee shall review:

- (a) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Corporation;
- (b) the methods used to account for significant or unusual transactions where different approaches are possible;
- (c) whether the Corporation has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the Auditor;
- (d) the Corporation's reporting practices; and
- (e) all significant financial reporting issues and all judgments which they contain.

3.1.4 The Committee shall review the Corporation's financial reporting procedures and internal controls to be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than disclosure referred to in section 3.1.2 above, and periodically assess the adequacy of those procedures, including:

- (a) reviewing and discussing with Management earnings (and/or other financial information) press releases with particular attention to the use of "pro forma" or "adjusted" non-GAAP information, before they are issued;
- (b) reviewing and discussing generally with Management the nature of the financial information and

earnings guidance provided to analysts and rating agencies; and

- (c) reviewing and discussing with Management annual and interim certifications with respect to disclosure controls and procedures and internal control over financial reporting.

3.1.5 The Committee shall recommend to the Board the approval of the annual financial statements and related documents and either approve the interim financial reports and related documents or recommend to the Board such financial statements and documents for approval.

### **3.2 Internal Controls and Risk Management Systems**

3.2.1 The Committee shall:

- (a) keep under review the effectiveness of the Corporation's internal controls and risk management systems; and
- (b) review and approve any statements to be included in the Corporation's annual report and accounts concerning internal controls and risk management.

### **3.3 Complaints on Accounting and Other Matters**

3.3.1 The Committee is responsible for the establishment of a policy and procedures for:

- (a) the receipt, retention and treatment of any complaint received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
- (b) the confidential, anonymous submissions by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

3.3.2 The Committee will be responsible for investigating fraud, illegal acts or conflicts of interest.

### **3.5 External Audit**

3.5.1 The Committee shall consider and recommend to the Board:

- (a) the Auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation; and
- (b) the compensation of the Auditor.

3.5.2 The Committee shall oversee the Corporation's relationship with the Auditor including (but not limited to):

- (a) approval of their remuneration, including fees for audit or non-audit services and ensuring that the level of fees is appropriate to enable an adequate audit to be conducted;
- (b) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- (c) assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the Auditor as a whole, including the provision of any non-audit services;
- (d) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the Auditor and the Corporation or KPLP (other than in the ordinary course of business) or any other conflicts of interest;
- (e) reviewing and approving the Corporation's policy on the employment of current and former partners and employees of the Auditor;
- (f) ensuring receipt, at least annually, from the external auditor of a formal written statement delineating all relationships between the Auditor and the Corporation or KPLP, including non-audit services provided to the Corporation or KPLP;

- (g) monitoring the Auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Corporation compared to the overall fee income of the firm, office and partner and other related requirements;
- (h) assessing annually the qualifications, expertise and resources of the Auditor and the effectiveness of the audit process, which shall include a report from the Auditor on their own internal quality procedures;
- (i) overseeing the work of the Auditor, including the resolution of disagreements between Management and the Auditor;
- (j) meeting regularly with the Auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the Auditor at least once a year, without Management being present, to discuss their mandate and any issues arising from the audit;
- (k) reviewing and approving the annual external audit plan and ensuring that it is consistent with the scope of the audit engagement;
- (l) reviewing the findings of the audit with the Auditor;
- (m) reviewing any representation letter(s) requested by the Auditor before they are signed by the Management;
- (n) reviewing the Management letter and executive Management's response to the Auditor's findings and recommendations;
- (o) giving consideration to the rotation of the audit partner on a periodic basis;
- (p) reviewing any related findings and recommendations of the Auditor together with Management's responses including the status of previous recommendations;
- (q) reviewing any serious difficulties or disputes with Management encountered during the course of the audit, including any restrictions on the scope of the Auditor's work or access to required information; and
- (r) reviewing any other matters related to the conduct of the external audit, which are to be communicated to the Committee by the Auditor under generally accepted auditing standards.

3.5.3 Unless otherwise permitted by NI 52-110, the Committee must pre-approve any non-audit services to be provided to the Corporation or its subsidiaries by the Auditor. The Committee may delegate to one or more of its independent members authority to pre-approve non-audit services, but no such delegation may be made to Management of the Corporation. The pre-approval of non-audit services by any member to whom authority has been delegated hereunder must be presented to the Committee at its first scheduled meeting following such pre-approval.

### **3.6 Other Matters**

The Committee shall:

- (a) have access to sufficient resources, including to KPLP resources pursuant to the Administration Agreement, in order to carry out its duties, including access to the Corporation secretary for assistance as required;
- (b) have access to tax and legal documentation of the Corporation as may be requested from time to time and to tax and legal advisors as required, in order to carry out its duties;
- (c) be provided with appropriate and timely training, both in the form of an introduction program for new members and on an ongoing basis for all members; and
- (d) oversee any investigation of activities which are within its terms of reference.



## **4. REPORTING**

- 4.1 The Auditor must report directly to the Committee.
- 4.2 The chair of the Committee shall report to the Board generally on its proceedings after each meeting.
- 4.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any matter within its mandate where action or improvement is needed.
- 4.4 The Committee's Charter shall be available on request and shall be available on the Corporation's website (if any).
- 4.5 The Committee shall review and reassess the adequacy of this Charter as required and recommend any proposed changes to the Board for approval.

## **5. REGULATORY DUTIES**

- 5.1 In carrying out its duties the Committee shall:
  - (a) give due regard to:
    - (i) all relevant legal and regulatory requirements; and
    - (ii) the rules of any stock exchange or which the Corporation's securities may be listed; and
  - (b) ensure that it has such information as it considers necessary or desirable to fulfill its duties as set out in this Charter.
- 5.2 The Committee shall review any required disclosure in public documents with respect to the Committee and its functions, including the disclosure required in the Annual Information Form under Multilateral Instrument 52-110.

## **6. MEMBERSHIP**

- 6.1 The Committee shall be made up of three members each of whom shall be a member of the Board.
- 6.2 All members of the Committee shall be "independent" as that term is defined in NI 52-110 and the standards of any stock exchange on which the Corporation's securities are listed, subject to any permitted transitional provisions.
- 6.3 Members shall serve one-year terms and may serve consecutive terms to ensure continuity of experience. Members shall be appointed each year to the Committee by the Board at the Board meeting that coincides with the annual shareholder meeting. A member of the Committee shall automatically cease to be a member upon ceasing to be a director of the Corporation. Any member may resign or be removed by the Board from membership on the Committee or as Chair of the Committee.
- 6.5 All members of the Committee must be "financially literate", as that term is defined in NI 52-110, or must acquire such literacy within a reasonable period of time after joining the Committee.
- 6.6 The Board shall appoint the chair of the Committee who shall be a non-executive director of the Corporation. In the absence of the Chair, the remaining members of the Committee present at a fully convened Committee meeting may elect one of their number to chair the meeting. The Board shall determine the period for which the chair of the Committee holds office.

6.7 The Board may from time to time remove members from the Committee.

## 7. SECRETARY

The Board shall designate from time to time the secretary of the Committee from one of the members of the Committee or, failing that, the Corporation's corporate secretary shall act as secretary of the Committee, unless otherwise determined by the Committee.

## 8. MEETINGS

8.1 The Committee shall meet at least four times in each year at appropriate times in the reporting and audit cycle and may call special meetings as required.

8.2 Meetings of the Committee shall be called by the secretary of the Committee at the request of any member of the Committee or at the request of the Auditor or any internal auditor if they consider it necessary.

8.3 Unless otherwise agreed, at least six (6) working days' notice shall be given of each meeting of the Committee. The notice period may be waived by all members of the Committee.

8.4 Unless otherwise agreed, notice of each meeting of the Committee shall:

- (a) confirm the venue, time and date of the meeting;
- (b) include an agenda of items to be discussed at the meeting; and
- (c) be sent to each member of the Committee, the secretary, the Auditor and any other person required, invited or entitled to attend the meeting.

8.5 Supporting papers shall be sent to members of the Committee and to other attendees at the same time as the relevant notice.

8.6 The quorum necessary for the transaction of business by the Committee shall be a majority of the members of the Committee and a duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

8.7 Only members of the Committee shall have the right to attend meetings of the Committee. However, others (such as the other directors, representatives from the finance function of the Corporation and external advisers) may be invited to attend and speak at (but not vote at) a meeting of the Committee as and when appropriate.

8.8 The Auditor shall be invited to attend and speak at meetings of the Committee on a regular basis but shall not be entitled to vote at such meetings.

8.9 Meetings of the Committee may be held by conference telephone or similar communications equipment whereby all members participating in the meeting can hear each other; provided always however that at least once per annum a direct meeting shall be held between the Committee and the Auditor where a quorum of the members of the Committee and the Auditor are present.

8.10 Matters for decision by the Committee shall be decided by a majority decision of the members. In the case of an equality of votes, the Chair of the Committee will not be entitled to a casting vote.

8.11 The Committee may hold separate *in camera* sessions without Management present at the conclusion of any regularly scheduled meeting of the Committee at which members of Management are present.

## **9. MINUTES**

- 9.1 The secretary of the Committee shall minute the proceedings and resolutions of Committee meetings and record the names of those present and in attendance.
- 9.2 The secretary of the Committee shall ascertain, at the start of each Committee meeting, the existence of any conflicts of interest and minute them accordingly.
- 9.3 Following each meeting of the Committee, the secretary shall circulate, for comment, draft minutes to each member who was present at the meeting.
- 9.4 After approval and signing of the minutes by the chair of the Committee meeting, the secretary shall circulate copies of the minutes to all members of the Board (unless a conflict of interest exists).

## **10. AUTHORITY**

- 10.1 The Committee is a committee of the Board and as such exercises such powers of the Board as have been delegated to it.
- 10.2 The Committee is authorised by the Board to investigate any activity within its terms of reference.
- 10.3 The Committee is authorised to:
  - (a) seek any information it requires (including from KPLP pursuant to the Administration Agreement and Limited Partnership Agreement of KPLP) in order to perform its duties;
  - (b) engage independent counsel and other advisors as the Committee determines necessary to carry out its duties;
  - (c) set and pay the compensation for any advisors employed by the Committee;
  - (d) communicate directly with the Auditor and the internal auditors;
  - (e) commission any reports or surveys, which it deems necessary, to help it fulfill its obligations;
  - (f) secure the attendance of external advisors at its meetings (if it considers it necessary);
  - (g) call any officer to be questioned at a meeting of the Committee as and when required, all at the Corporation's expense; and
  - (h) delegate its authority and duties to a subcommittee or individual members of the Committee, as it deems appropriate, provided that the subcommittee is composed entirely of independent directors.

## **11. OWN PERFORMANCE**

At least once a year, the Committee shall review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.